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Klaus Nielsen:

Background & History of Confucianism

This paper is a process paper which is as part of a research project on the “Dynamics of Confucian Capitalism – Institutional Challenges of the Chinese Model of Capitalism”, funded by the British Academy.

The paper starts by briefly outlining some general principles of Confucian thinking arguing that Confucianism is still crucial for understanding economic behaviour and relationships in China today. The major part of the paper is a detailed review of the Western literature about Confucianism with a focus on contributions which are of relevance for understanding the impact of Confucianism on individuals, groups and institutions in contemporary China¹.

Confucius and Confucian teaching

Kong Fu Ze (renamed Confucius by Jesuit missionaries) lived approximately 500 BC. The term ‘Confucianism’ coined by 16th Century Jesuit missionaries. ‘Confucian’ traditions are rooted in Chinese culture prior to Confucius. Other later philosophers complement Confucius but Confucian thinking provides the foundation.

Confucianism provides a behavioural/moral doctrine regarding human relationships, social structures, virtuous behaviour and work ethics which forms the foundation of Chinese cultural tradition. It is a set of pragmatic rules and lessons in practical ethics for daily life. It is not a religion.

Confucian teaching is a moral based code of conduct intended to cultivate ones moral values. Confucian ethics uses moral excellence as self-disciplinary mechanism.

Confucianism has been used for centuries to regulate commerce and trade in China; self-regulatory systems However, detailed prescriptive standards to govern individual behaviour are lacking. There is an absence of official dogmas on how these teachings were to be interpreted or appropriated. Accordingly, the teachings are vulnerable to varied and creative interpretations

The Four Books of Classical Confucianism are

- The Analects – Lunyu
- The Great Learning – Daxue
- The Doctrine of the Mean – Zhongyong
- Mencius - Mengzi

These texts were put together by the Neo-Confucianist Chu His.

The key principles of Confucian teaching are the following:

- Societal stability = unequal relationships - *Wu Lun*
- Family is prototype for all social organisations
- Golden Rule: Treat others as you would like to be treated - Benevolence

¹ Many thanks to Joyce Lao provided much of the background material for this process paper.

- Virtues that are key to going about life: learning, hard work, thrift, perseverance and patience - all in moderation.

Confucius appealed to others to think of righteousness when seeing opportunity (for gain and profitableness). He viewed that love of humanity/benevolence (*Jen*) was realised in stages, with filial piety being intermediary step (father at top of hierarchy).

Confucianism includes a paradox. It is both classless and hierarchical. It is classless in the sense that reward is based on merit. It is hierarchical in the sense that *Jen* (benevolence) depends on harmony; i.e. accepting ones role in life. Harmony is the key. It involves both the conscientiousness of the individual and altruism of society.

The Gentleman (*Chu tzu*) is the ideal character of Confucian ethics. The Gentleman must possess benevolence (*Jen*); it is to love and to help people; most important role in Confucianism

The Five Basic Human Relationships according to Confucius

| | |
|------------------------------------|-------------------------------------|
| 1. Ruler – Subject | 1.) Emperor – Subject |
| 2. Father – Son | 2.) Father – Son |
| 3. Older Brother – Younger Brother | 3.) Husband – Wife |
| 4. Husband – Wife | 4.) Elder Brother – Younger Brother |
| 5. Older Friend – Younger Friend | 5.) Friend – Friend |

Some texts consider friend – friend to be equal and the rest hierarchical.

Confucian thinking emphasises the self to be centre of all social relationships, emphasising one's responsibility. Daily behaviour should be guided by rule of propriety to cultivate a sense of holiness. There is an emphasis on cooperation in order to live harmoniously. Confucianism represents an anthropocentric approach towards faith and trust, as it believes in humans' abilities to cultivate themselves and transform the world and their lives. It is fundamentally humanistic. *T* is structured to deliver optimum benefits for both parties

The Five Confucian Virtues

- *Ren/Jen* – Benevolence/Humanity/Human-ness
- *Yi* – Righteousness/ appropriateness
- *Li* – Propriety (*Different from Li = Profitability*)
- *Zhi* – Wisdom (in thought and action)
- *Xin* – Trustworthiness/Faithfulness/integrity

Neo-Confucians saw Righteousness vs. Profitableness as *Li* (Principle) Vs. *Yu* (Desire). These were irreconcilable. Neo-Confucianism merged during Song Dynasty and continued into Ming Dynasty. From the middle of Ming Dynasty there were subtle change in relationship between righteousness and profitableness as Confucian scholars moved into trade business.

The term 'Neo-Confucian' refers to developments in Confucianism from Song Dynasty to collapse of Qing Dynasty (1644-1911) when Confucian scholars in Song Dynasty reinterpreted traditional Confucian classical texts to formulate new answers that responded to challenges brought by Daoism and Buddhism. Neo-Confucianism sought to reject negative beliefs in Taoism and Buddhism. This was done by using traditional Confucian thought to create and define a positive, concrete and rational notion in contrast; this was called *Li* (Principle). *Li* was accepted as universal truth, order, law, and process of production and reproduction; it causes everything and everything

possesses it. There was emphasis on education to acquire knowledge; a desire to investigate all things.

There are three types of Confucianism:

- Classical Confucianism
 - Virtues regulate 5 Social Relationships (*Wu Lun*)
- Neo-Confucianism
 - The revitalisation of Classical Confucianism
 - Emphasis on reshaping intellectual and spiritual learning
 - Neo-Confucians incorporated beliefs from Daoism and Buddhism to revive Confucianism
- New Confucianism
 - Generation of New Confucians emerged in response to the movement/rebellion against tradition (1919, May the Fourth Movement)
 - Intellectuals tried to apply Confucian thought to Western democracy and science

Confucianism was submerged by the Cultural Revolution (1966-76) and laid dormant until the 'Open Door' policy of 1978. Confucianism also has a dark side. It was criticised during 1990s Asian economic crisis as the link to alleged cronyism and nepotism.

The Chinese model/variety of capitalism has been characterised as authoritarian, state capitalist, hybrid, development state, primitive/extensive accumulation, and much more. Another label which is the one adopted in this paper is Confucian capitalism. This is based on the assumption, or rather the hypothesis, that economic relationships and economic behaviour in any context reflect deep-rooted cultural practices, norms and values, and that Confucianism has a major impact on these roots in China. This conceptualization stresses the impact of culture on business practices. Basic values such as the importance of the family, group mentality, stability, loyalty to superiors, paternalism and reciprocity underpin business practices and economic governance. This paper focuses on the intermediating role of formal institutions. A distinct set of institutions are embedded in culture and provides the framework for economic governance, business transactions and management practices. The institutions of the labour market, inter-firm networks, corporate governance, welfare services provision and local government have distinct characteristics in the Chinese model of capitalism. The processes of high growth rates and major structural change in the last decades have been based on these institutions but have simultaneously put pressure on established institutions.

Such pressures can be identified in at least five areas: (i) labour market trends and employee protest; (ii) the decline of traditional forms of social capital (or *guanxi*) as an asset for inter-firm networks; (iii) executive excess and corruption, (iv) the state enterprises as a drag on the economy, including bank credit, (v) the economic and social effects of the abolishment of the traditional forms of state sponsored social security. These development trends can be seen as challenges to the basic tenets of Confucian capitalism.

Literature review

Hofstede, G., & Bond, M.H., (1988). The Confucius connection: from cultural roots to economic growth. *Organizational Dynamics*, 5-21.

This article first discusses culture and briefly outlines the general principles of Confucianism. It describes the IBM study with its 4 dimensions, then the development of the Chinese Values System questionnaire, with the mentioned study finding the Eastern cultural dimension of Confucian Dynamism.

Introduction: Futurologist Herman Kahn regarded the cultures of East Asian countries as 'Neo-Confucian'. Further he believed that specific nations have specific cultural traits that are 'sticky and difficult to change in any basic fashion, although they can often be modified.' The authors in this article describe culture as 'the collective programming of the mind that distinguishes the members of one category of people from those of another'.

The Neo-Confucian hypothesis of Kahn was that the countries of East Asia have common cultural roots going far back into history, and that under the world-market conditions of the past 30 years this cultural inheritance has constituted a competitive advantage for successful business activity. He was pertaining to the Five Dragon countries of South Korea, Japan, Taiwan, Hong Kong, and Singapore.

Confucius and His Teachings: Kong Fu Ze was renamed Confucius by Jesuit missionaries and was a civil servant in China approximately 500B.C. His teachings are lessons in practical ethics without any religious content. Confucianism is NOT a religion, but a set of pragmatic rules for daily life, derived from what Confucius saw as the lessons of Chinese history.

Key principles of Confucian Teaching

- 1.) **The stability of society is based on unequal relationships between people;** these relationships are based on mutual obligations
→ There are the 5 basic relationships, also known as *Wu Lun*:
 - ruler and subject
 - father and son
 - older brother and younger brother
 - husband and wife
 - older friend and younger friend
- 2.) **The family is the prototype of all social organisations**
→ A person is not an individual but rather a member of a family, therefore children must overcome their individuality so as to maintain the harmony
→ Harmony is found in the maintenance of an individuals 'face', i.e. their dignity, self respect and prestige
→ Social relations should be conducted in such a way that everybody's face is maintained and paying respect to someone else is called 'giving face'
- 3.) **Virtuous behaviour toward others consists of treating others as one would like to be treated oneself:** a basic human benevolence.
→ This does NOT extend as far as the Christian injunction to love thy enemies.
- 4.) **Virtue with regard to one's tasks in life consists of trying to acquire skills and education, working hard, not spending more than necessary, being patient, and persevering.**
→ Moderation is enjoined to all things

The New Science of Culture Measurement: The authors acknowledged the need for a comparative approach to culture in order to identify cultural variations. They said that these cultural differences can be measured indirectly; they can be inferred from data about collective behaviour. Examples of data include: national wealth distribution from population, mobility from one social class to another, frequency of political violence or labour conflict, traffic accidents or suicides. Though these can show something about culture, it is not clear how they should be interpreted. Therefore this problem can be avoided by taking direct measures of culture through asking well-designed questions about people's values or beliefs. Accessibility to matched samples from a number of various countries is needed.

IBM Culture Measurement Study: Early 1970's, IBM released its databank (1967-1973) on international employee attitude for academic research. This included more than 116, 000 questionnaires in 20 different languages from 72 countries. This was internationally standardised and had about 60 questions (of 150) on employees' basic values and beliefs.

Findings: the 53 cultures differed mainly along four dimensions.

1. **Power Distance**- extent to which less powerful members accept/expect that power is distributed unequally
2. **Individualism and Collectivism**- degree to which individuals are integrated into groups. Individualism is where ties are loose (care of self and immediate family); Collectivism is where from birth forward, people are integrated into strong, cohesive groups (care for extended family) and protect them in exchange for unquestioning loyalty
3. **Masculinity and Femininity**- distribution of roles between the sexes; the study found women's values differ less among societies than do men's values. The authors regard the assertive pole as masculine (being assertive, and competitive), and the nurturing pole as feminine (being modest and nurturing)

These three dimensions refer to expected social behaviour: behaviour towards people of higher/lower rank (power distance); behaviour toward the group (individualism/collectivism); behaviour according to ones sex (masculinity/femininity). When comparing these 3 to Confucian teachings, they found that Neo-Confucian countries generally score fairly high on power distance, low on individualism, and mid-range on masculinity/femininity (except japan, scoring high on masculinity)

4. **Uncertainty Avoidance**- refers to mans search for Truth; indicates to what extent a culture programs its members to feel either uncomfortable/comfortable in unstructured situations. Uncertainty-accepting cultures are more tolerant of behaviour and opinions that differ from their own and try to have as few rules as possible.

→ Additionally, the data showed that the arrow of causality goes from wealth to individualism and not vice versa. In other words, if the resources in a country allow people to 'do their own thing', they will start doing just that.

→ none of these four dimensions is related to national economic growth. This study revealed no relationships between culture and economic growth that holds true for all countries, including the poor ones that need such growth the most.

The Chinese Value Survey (CVS): in 1979, researchers from 9 Asian and Pacific countries administered a modified version of the Rokeach Value Survey to 100 psychology students (50 male, 50 female) in each of the 10 countries. When compared to the IBM study, the four IBM dimensions appeared in addition to a fifth (not interpreted). These two projects overlapped, even though they used completely different questionnaires, populations in different years, with only some countries overlapping. The major concern here was the influence of the researchers culture on the results, as their data showed that people in different countries had different mental programming. As the Rokeach Value Survey was purely a U.S. instrument, respondents in non-western settings were asked to answer questions made by Western researchers and may be irrelevant to them or not reflect the essence of their own cultures. These led to the development of the CVS, wherein Michael Bond asked Chinese social scientists to prepare a list of basic values for Chinese people. This developed into a 40 item Chinese questionnaire that was then translated into English, that was then administered to 100 students in various disciplines in 22 countries. Statistical analysis of the CVS conducted yielded four dimensions and due to 20 countries being

covered in the IBM study, they compared the scores of the countries on each CVS dimension with those for the IBM dimensions. **Findings of CVS when compared to IBM:** three CVS dimensions were respectively similar to the three IBM dimensions of Power distance, Individualism/Collectivism, and Masculinity/Femininity. These expected social behaviour truly represent universal human traits in the sense that all societies share the same problems BUT different societies have chosen (historically rather than consciously) different solutions to these problems. Furthermore, the IBM dimension of Uncertainty Avoidance was missing in the CVS data. The authors however found the dimension they labelled 'Confucian Dynamism'.

Values Associated with Confucian Dynamism

| The relative importance of: | But the relative unimportance of: |
|---|---|
| Persistence/perseverance | Personal steadiness and stability |
| Ordering relationships by status and observing this order | Protecting your face |
| Thrift | Respect for tradition |
| Having a sense of shame | Reciprocation of greetings, favours and gifts |

→ Values on both sides are aligned with Confucian teachings. Left: teachings of Confucius that are more orientated toward the future; Right: Confucian values orientated toward the past and present.

→ Its positive pole reflects a dynamic, future orientated mentality; its negative pole reflects a more static, tradition-orientated mentality.

→ low endorsement of the values on the right would facilitate growth

It's important to note that this psychological exercise was concerned with culture (not business or economics). But it appeared that the country score on Confucian dynamism derived from this exercise are strongly associated with those countries' economic growth. Therefore the authors have found a cultural link to an economic phenomenon. However must also highlight that the values on the left are also found in non-Confucian countries such as Brazil and India.

CVS and China Data on the CVS for PRC is missing; many Confucian values remain strong in the PRC, and those values on the left of the Confucian dynamism dimension are currently boosted at the expense of those on the right side. Furthermore, the economic growth of the PRC was hampered by political factors. The Cultural Revolution of 1966-1976 was a period of economic shrinkage, although the rate of economic growth in the PRC over the 20-year period that included the Revolution was still 4.8% higher than that of Japan. According to the authors, the leadership of Deng Xiaoping has let economic expediency prevail over political purity.

What about Uncertainty Avoidance? The authors found this to be uniquely a western dimension as it deals with a society's search for Truth: uncertainty-avoiding cultures believe in an absolute truth, and uncertainty accepting cultures take a more relativist stance. The Eastern dimension of Confucian Dynamism on the other hand deals with a society's search for Virtue. The West includes countries that are traditionally Judean, Christian or Muslim- 3 religions that are very much concerned with Truth. The East, represented by Confucianism (but also Hinduism, Buddhism, Taoism, and Shintoism) does not assume that any one human being can have the Truth. This is why people in the East can easily adhere to more than one religion or philosophical school at the same time.

During Industrial Revolution, the Western concern for Truth was at first an asset: it led to the discovery of the laws of nature, which could then be exploited for the sake of human progress. Chinese scholars, despite their high level of civilisation never discovered Newton's Laws, as they were simply not looking for them. The authors claim that Western thinking is analytical, while Eastern thinking is synthetic, and that science may benefit from analytical thinking, but management and government are based on the art of synthesis.

Conclusion: National cultures can undoubtedly be complementary. The experience with the CVS is in itself an example of cultural synergy, because the survey was a western research approach with a Chinese questionnaire. The authors also consider the economic success of the five dragons a case of cultural synergy, since it was based on the exploitation of technology originally developed in the west according to eastern principles.

Lin, L.-H., & Ho, Y-L., (2009). Confucian dynamism, culture and ethical changes in Chinese societies: a comparative study of china, Taiwan and Hong Kong. *The international Journal of Human Resource Management*, 20(11): 2402-2417.

This article focuses on Confucian ethics for the organisation. It examines the foundation and changes in Confucian dynamics in Chinese societies and attempts to draw implications for MNCs interested in operating in these geographical areas. This article discusses Confucian ethics from the perspective of classical/traditional Confucian philosophy.

Introduction: Kahn (1979) was one of the first to suggest that the variation of national culture might be crucial reason for their success. Hofstede and Bond (1988) developed the Chinese Values Survey (CVS) based on two investigations of cross-cultural valuing system: 1.) Hofstede's (1980) cultural dimensions; and 2.) the national Rokeach's Value Survey (Ng et al., 1982). The CVS was used to examine cultural values in 22 Asian and Western nations from a perspective of Chinese social values. In CVS, Confucian Dynamism (CD) was found to boost the performance of national economies. CD refers to 'the acceptance of the legitimacy of hierarchy and the valuing perseverance and thrift, all without undue emphasis on tradition and social obligations which could impede business initiative (Frank, Hofstede and Bond, 1991, p.167). Confucianism, as the foundation of Chinese culture, should be seriously considered by business organisations facing a competitive global environment, which is now shaping their ways of competing internationally and managing people nationally. Owing to over 50 years of political and economic separation, people in China, Taiwan and HK vary in adherence to Confucian values. Core concept of Confucian philosophy is on the emphasis on ethics, as it consists of sense and sensibility. Furthermore, Confucianism is helpful for organisational ethics because of the reflecting of a humanised and harmonious value rather than the emphasis on power and benefit.

Foundation of traditional Chinese ethics: Confucianism began over 2000 years ago and has been developed through several important stages: 1.) the classical Confucian; 2.) the Neo-Confucian; 3.) the reformist Confucian, 4.) the Modern Confucian (see Lam, 2003, p. 154). This study mainly considered the ethics and thoughts of classical Confucianism. This is based on the reasoning that the classical texts of the classical Confucian, the Four Books are much wider spread than other works in later stages of Confucian. These Four Books are composed of: Confucian Analects, The Greater Learning, The Doctrine of the Mean, and The Works of Mencius. Thus there is no doubt that the Confucian ethics of Chinese/east Asian managers come mainly from the thoughts of Confucius and Mencius (though there were other masters in other stages of Confucianism such as Chu Hsi 1130-120 AD, and Wang Yangming 1472-1529 AD).

The highest standards of traditional Chinese moralities are the Way (tao) and virtue (te). The Way covers the total truths about the universe and human nature. Tao is the representation of human nature, which requires individuals to observe the behaviours of humanity. Te on the other hand, is something one cultivates and enables one to govern well. When used together, tao te means ethics.

The ideal character of Confucian ethics is the sage, the good man or the gentleman (chun tzu). In order to have the complete moral character of the gentleman, there are a great number of virtues that a gentleman must cultivate, with benevolence (jen) being the first moral quality a gentleman should possess. Jen also plays the most important role in Confucian philosophy and is a highly moral term to love and to help people. There are ***two essential points that signify the core concept of Confucian benevolence:***

- 1) loyalty or *chung*
→ Chung means near to doing one's best

- 2) magnanimity or *shu*
 - *Shu* implies consideration and to reciprocate another's feeling. It is basically the golden rule of: do not impose on others what you yourself do not desire.
 - *Shu* indicates self-examination before doing benevolence

Two more unique virtues derived from benevolence are:

- 3) *Hsiao*
 - to love ones parent
- 4) *t'i.*
 - to respect ones elder brother

These two virtues of Hsiao and t'i help Chinese society pay attention to the emphasis of harmony, which is also a special characteristic of Chinese organisations.

There are two more major Confucian ethics (though the authors do not specify if this is still within benevolence):

- 5) promise or *hsin*
 - in English *hsin* means promise, trust or a plain statement of fact
- 6) righteousness or *yi*
 - *yi* is generally the opposite term of the word profit (*li*) or gain.
 - regarding the morality of righteousness, both Confucius and Mencius were against the extravagant desire of profit and gain

Finally, all Confucian moralities and ethics are represented and regulated by propriety (*li*), which implies the body of norms, rites and regulations governing action in every respect of daily life.

Mencius added observing human nature as a central thought of Confucianism. He fortified Confucian teaching that all men are born with the same nature of good, which became a cornerstone for the later dominance of Confucian moral philosophy.

Social representation theory explains the procedures of social identity in response to a serious event (social members oppose each other, expound different standpoints, generate representation and then try to transform this event into acceptable conventions) (Wagner et al., 1999). Social representation thus presents collective programming of the mind as a major distinction from other cultures (Hofstede 1980). Confucius thoughts as the foundation of Chinese culture, should then be seriously considered when discussing cultural change in the Chinese people.

Taiwan has been more strongly influenced by capitalism than China due to its intensive contact with Western societies. As a result of the colonisation of HK by GB the people of HK have taken capitalism and mercantilism for granted. China on the other hand, after the Cultural Revolution, some key Confucian ethics were replaced by Marxist values.

Researchers interested in ethics can be divided into two kinds: those who are interested in an ethical character and those who are interested in ethical acts (Lau, 1992). In ethical character, Confucius first emphasised the importance of benevolence (*jen*), righteousness (*yi*), decorum/propriety (*li*) and loyalty (*chung*). The emphasis of an ethical character does not mean that the ethical acts in the last resort are unimportant in Confucius thoughts. CD describes the importance of ethical acts as it indicates 'the acceptance of the legitimacy of hierarchy and the valuing of perseverance and thrift, all without undue emphasis on tradition and social obligations

which could impede business initiative' (Hofstede & Bond, 1988). Based on this analysis it can be reasoned that the intensity of an ethical character and ethical acts for people in the 3 countries vary due to their varied adherence to Confucian values. additionally, age is a significant component of ethical and cultural change. The difference in ethical thought among various ages reveals a transparent trend in terms of ethical transformations (Luo 2002).

The authors propose the following hypotheses:

1. the intensity of CD differs among people in the 3 countries
2. the intensity of CD differs among different age groups in Chinese societies
3. the intensity of ethical culture differs among ppl in the 3 countries
4. the intensity of ethical culture differs among different age groups in Chinese societies

Methodology: Empirical investigation to test the 4 hypotheses using questionnaires of individuals with at least one year of work experiences in 3 coast areas in China and 2 inland areas in China; Kaohsiung, Taipei in Taiwan; and HK between Aug-Dec, 2006 (similar sampling times). 800 questionnaires were distributed to China, Taiwan and HK in the respective quantities of 300, 300, and 200. The sample comprised 504 valid responses and yielded a response rate of 63%, with 51% male; 29% aged less than 25; 38% aged 26-35; 21% aged 36-45. 55% had bachelors, 15% had a graduate or higher degrees. Of the respondents, 34% were from china, 17% HK, 49% Taiwan. Measure of ethical culture was done using the ethical climate questionnaire (ECQ), and CD was also measured. ANOVA was used to analyse differences in Confucian dynamism and ethical culture among Chinese in the 3 countries

Findings and Discussion: Chinese people of different ages shared a similar CD tendency, and Chinese in different societies are influenced to different degrees by traditional Confucian teachings. Chinese in Mainland China have inherited more orthodox Confucian thoughts than other Chinese in other areas. This study has found that the rank of CD in the Chinese societies have changed. With Taiwan now scoring highest on CD, the only explanation is that over the past 50 years, Confucianism has weakened in China and HK. Occidentalised HK and communist china have environments unfavourable for maintain Chinese traditions. This transformation also influences the ethical cultures of different Chinese societies. This study also found CD to be positively related to law and code, rule, and independency. CD does not take into account benevolence (caring) and profit (instrumental). In relation to caring, older Chinese in all areas have stronger caring tendencies than younger subjects. Older Chinese people care more about others (benevolent), and young Chinese are more selfish. As for ethical culture, the youngest subjects have the weakest tendency in relation to organisational rule and loyalty. Young ppl appear very different to their parents in numerous ethical and cultural characteristics. These may be because of 2 reasons: traditional Confucian thoughts are favourable to saving and not in favour of high-risk investment. Although youngsters agree risk-taking is necessary for investment in R&D, older Chinese people prefer saving. Secondly, the traditional interpersonal contact and communication have been replaced by impersonal virtual communication of computers, internet, and advanced information tech. traditional ethics like trust, promise, and loyalty in virtual communication take on a dissimilar form in the absence of face to face communication.

Implications for Confucian ethics: The study also finds that Confucian ethics have a lot in common with western thoughts. Elements like trust, loyalty, and justice are honoured by both Confucius and western thinkers, these characters are important for a healthy business environment although they may take on a different form. For eg. Confucian ethics of benevolence (jen) resembles the caring type of ethics of Schneider (1975) and Victor and Cullen (1988), decorum (li) resembles the law and code types of ethics; loyalty (ching) resembles the independence type of ethics. Among these characters, benevolence (jen) and loyalty (chung) differ among different age groups in

Chinese societies; and profit (li) and decorum (li) differ among people in China, Taiwan and HK. Thus, some Confucian ethics are changeable owing to the cultural transformation in different areas. However, virtue (te) does not differ by different age or area contexts. As the highest standards of traditional Chinese moralities, virtue (te) is still important and unchangeable for the Chinese.

MNCs and Globalisation: globalisation has brought together people of various cultures in complex business relationships. It may be very difficult to build up trust between very different people. Confucian ethics can support harmonious relations among diversified communities due to the emphasis of balance between oneself and other people. Respect for all humans of different nationalities, the long-term orientated Confucian thoughts can facilitate practice and development of MNCs.

Conclusions: this empirical investigation found that the cultural and ethical character of ppl in great china vary in their adherence to Confucian values. additionally, age is also a significant component of ethical and cultural change. Cultural principles and regulations are adjusted according to behavioural changes. From the perspective of adaptive culture (Wallace 1970) cultural change in Chinese societies is inevitable owing to economic and political changes. People in china have faced conflict between Marxism and capitalism. But cultural change is not necessarily instigated by changes in behaviour alone. Another force may come from ethical consciousness (Keesing, 1976). Also young Chinese ppl seem not to identify themselves with traditional Chinese values and Confucian ethics. Maybe it is the result of conflict between eastern and western cultures. However, traditional thoughts still significantly influence most people in Chinese societies.

Lastly, a traditional Chinese gentleman (chun tzu) would not be concerned about failure to attract public attention and would simply continue to do good deeds in private. Real virtues are considered those that are accumulated without drawing unnecessary attention. The joy for a gentlemen is to become acquainted with friends who understand his aspirations and virtues. This concept has since been extended into the concept of *guanxi*. This word has no negative connotations in its original context of referring to gentlemen. Numerous scholars have identified *guanxi* as a special interpersonal cultural asset in Chinese societies, and even a key factor in foreign mncs wishing to successfully enter Chinese markets or cooperate with Chinese organisations (Warner 2008).

Anderson, A.R., & Lee, E., Y.-C., (2008). From tradition to modern attitudes and applications of guanxi in Chinese entrepreneurship. *Journal of Small Business and Enterprise Development*, 15(4): 775-787.

The article discusses guanxi as a facilitator for business in china and compares participants from HK and China. It starts with a brief history of entrepreneurship in China, the impact of culture and then follows with guanxi. It compared two groups representing modern and old Chinese (HK and Mainland Chinese respectively). The key finding was that both groups found the role of guanxi diminishing within China as the country develops more structures and legislations.

Introduction: China is undergoing changes both socially and economically, and part of the rate in economic growth can be attributed to entrepreneurial activity. This article focuses on one aspect of traditional culture, *guanxi*. In a previous study by the authors (Lee & Anderson, 2006), they found that Chinese (PRC) entrepreneurs were very aware of the value of using *guanxi* but a considerable number expressed dislike of the practice. This suggests that it may be old fashioned and not keeping with modern business practices.

History of entrepreneurship (E) in China:

- Pre 1978 reforms: entrepreneurship most in the form of black market and rent seeking; taking advantage of inefficiencies of economy
- 1978-1983 political reforms: saw the emergence of *getihu*, which were small-scale entrepreneurship restricted to seven employees.
- 1984-1993 second reforms: entrepreneurship flourished though still restricted in ownership structure; companies though individualised and profit orientated. Wore a 'red hat' of collectivism by paying fees to an official supervisor agency to become a 'red hat' company. During this period, these entrepreneurial collectives (TVEs) grew rapidly in importance, by 1990 they contributed some 20% of Chinese gross output
- 1992: Deng Xiaoping's southern tour where he legitimised entrepreneurship by declaring "to get rich is glorious"
- by 1999: more than 100 millions SMEs registered in China representing 90% of all firms (Anderson et al., 2022).

These SMEs made an increasingly important contribution to national income and employment at a time of relative decline of the contribution of larger firms, especially state owned enterprises. This was also during times of an extremely turbulent and uncertain political environment and the authors suggest that the success can be explained via culture. In other words, it is the 'Chineseness' of the Chinese which allows them to become so entrepreneurial.

Culture in China: when looking at the cultural backgrounds of entrepreneurs, Morris & Schindebute (2005) argued that Asians have a cultural heritage involving Confucian dynamism, collectivism and group based rewards. Young and Corzine (2004) propose that traditional C values are still relevant today. Cheng and Rosett (1991) say the business culture in China is based on family values or *guanxi* connections, underpinned by C ethics. The Confucian ethics of hard work, deference and group orientatedness has been identified as a determinant the success in east Asia, particularly the ethnic Chinese groups.

Kirby and Young (1995) explored Chinese values and found that some (perseverance, diligence, resourcefulness, emotional stability, integrity and intelligence and harmony) had a positive effect on entrepreneurship. But they also pointed out that creativity, innovation and flexibility were lacking. They also noted that a positive response to change, initiative, profit orientation, all qualities associated with entrepreneurship were in conflict with Chinese values.

Max Weber (1951) studied the effect of cultural values and the rise of capitalism. He contrasted the western 'protestant work ethic' with the apparent absence of rationality in Chinese religions. More recently, Redding has made a strong case for the positive effects of Confucian aspects such as diligence, frugality and the love of education. Dana (1999) also noted the cultural influences of Confucianism; for him Confucianism values hard work, diligence and frugality.

Guanxi: It has been suggested that during the last 20 years in china, the only way to manage to succeed entrepreneurially is through unconventional paths such as capitalising on relationships, even through bribery and corruption (Tsang, 1998; Hsiao, 2003; Blackman, 2000). One element of this is guanxi, a uniquely Chinese cultural artefact. Guanxi is a network of personal relationships emerging from the fundamentals of Chinese culture, traditions and social organisation. In china, over 500 years of existing as a closed society allowed these special networks to become a fixed element of culture and society. Buckley et al., (2006) suggest that guanxi and its associated mianzi (face) are the most prominent cultural characteristics for business. This fundamental web of interpersonal relationships is an inseparable part of the Chinese business environment. Fan (2002) notes that it was only in the 1980s that western academics began to consider the importance of G.

Leung and Wong (2001) propose that the modern version of G is not identical to the traditional Confucian form and should be best seen as a strategic tool to achieve business goals. G is seen different from western ideas and conceptualisations of networking. G can be considered as an art that includes ethics, tactics and etiquettes (Yang, 1994).

G requires familiarity or intimacy, it is characterised by strong rather than weak ties. But G is not merely a relationship, but also a tie through which the parties exchange valued materials or sentiments. G literally means social connection and becomes synonymous with special favours and obligations within the guanxi circle. Sometimes seen, particularly by westerners as corrupt because of the gifting aspect, these exchanges should not be seen as an equivalent to corruption (Leung and Wong, 2001). In G, gifting is not bribery in the western sense, but more about a demonstration of the value placed on the connection. Once G is established between 2 individuals, each can ask a favour of the other with the expectation that the debt incurred will be repaid sometime in the future. Carlisle and Flynn (2005) suggest that this process operates as a modern Confucian construct, where harmony is achieved through G in life and business.

Positive relationships of G can protect dignity or face and allow, affirm and honour relationships of individuals involved in business (Redding and Ng, 1982). Negatively, issues such as nepotism and corruption (Yeung and Tung, 1996) have also been linked closely to G (Wright et al., 2002).

But although such cultural practices such as G are well established, it is also likely to have come under considerable pressure to change in the new context of Chinas open door, and its much closer association with westernised business practices. The authors imagine a possible tension between the old and the new; culture no matter how deeply embedded is subject to pressures to change when the circumstances and contexts change. Since the 1980s, the Chinese business environment has changed rapidly, markets increasingly mature and better structured, while legislation has improved property rights. Hence contemporary entrepreneurs who want to be successful may have to follow a more modern code of business behaviour and practices. Moreover, Chinese scholars both economic and social claim that traditional Chinese culture is diminishing.

In the context of rapid economic growth and gradual maturity of the financial markets in china, entrepreneurs may be able to create fortunes through formal business channels rather than through G.

Methodology: In this study, face to face surveys of two groups was conducted: 1.) middle managers in HK and 2.) young affluent middle class in mainland China. This was intended to allow them to compare response about guanxi attitudes and practices in both modern and more traditional Chinese business environments. The authors justified that even if they did not become entrepreneurs themselves, they will play key roles with entrepreneurs thus their attitudes towards G may help explain how entrepreneurs may need to respond in the future. All 152 were ethnic Chinese; 44 from mainland and 108 from HK.

HK sample: 76 post-graduate marketing students; 32 MBA students; all were studying part time, but from two different universities; aged 28-48 and all were middle to senior management employed in the private sector or in gov organisations.

Mainland China sample: aged 20-22 studying in logistics department of a private university (thus assumed students were from Chinas upper/middle class with \$2000 fees).

The questionnaire was in Chinese for mainland Chinese and in English for those in HK.

Questionnaire was 7 ages long with 14 closed and 17 open-ended questions.

Findings and Discussion:

1. **a. Mainland:** saw G in terms of social relationships, albeit instrumentally maintained; the Mainland was much better informed about G and saw its application as a necessary evil; more familiar to the concept and were able to describe it more fully; focused on the relationships itself, rather than merely the benefits, and thus seemed to reflect Confucian ethics of harmony rather than individualism; none saw G as unhelpful; more materialistic view with phrases like 'buy them gifts', 'give money to them', 'provide reciprocal treatments'; relationships appear dependent on material exchanges; 98% said they relied on G to an extent

b. HK: emphasised the mercenary aspects of gift giving; had a lack of complete understanding of the concept indicating it may not be important in their business dealings; did not get much help through G (88% of 95 respondents said not helpful); more similar to western notions of networking with phrases such as 'communicate frequently', 'say nice words', 'treat them well'; 97% said they did not rely on its use; saw it as old fashioned; saw G as more important within China itself; saw it as broadly corrupt and emphasised the financial costs.

c. Both Groups: all agreed G is important; expressed some distaste towards G; saw its role diminishing over time as structures and legislation improve in mainland China and as the business environment becomes more exposed to western business practices; both groups noted that G could provide supplementary assistance, but the core advantage was the product itself, this may indicate the market power is determined by the laws of supply and demand rather than any privileged position; both thought G was important for international dealings; most indicated that G was most important at the start of a new business, with some saying the building/development of the business.

The Western idea of networking: In western literature about networks, trust is seen to play an important role in bonding ties, but interpersonal trust plays a part in G too (Davies, 1995). Given that we were asking specifically about G, we may have detected a distrust of the G system. It may be that given the negative view of G, the respondents saw it differently from westernised notions of networking. Furthermore, in western networking, the maintenance exchange is more likely to be social or informative; in the mainland Chinese environment, there may appear to be a greater need to buy influence.

Conclusions and Implications: Few enjoyed G but recognised its utility; the authors conclude that G still plays important role within business in China. All respondents referred indirectly to many of the Confucian qualities such as harmony and face and saw G as inextricably inked to Chinese culture. Instrumentally, G remains convenient, perhaps even necessary. Culture continues to play a significant role in Chinese business. But cultures may shift and change in altering circumstance, but the new is written on the old. This suggests that ignoring cultural mores, even when societies are converging may not be the wisest entrepreneurial practice.

Hang, L., (2011). Traditional Confucianism and its contemporary relevance. *Asian Philosophy*, 21(4): 437-445.

The awakening consciousness of the traditional Confucian values has led to a reconsideration of their implication for modern society. There are elements in Confucianist values that may be relevant in the future such as ethic of responsibility and the understanding of the humanistic meaning of life. Max Weber (1963, p269) singled out Confucianism among major 'world religions' as the least conducive to capitalist economic development. However various elements of Confucian heritage in whatever form have been transmitted to the present, either hidden in nationalist or communist doctrines, principles, or implicitly underlying the whole structure of Chinese society. The awakening of consciousness of Confucianism in recent times is also related to the renewal of culture and the transformation of traditions. Also, while the social and political structure of traditional Confucianism has long been demolished, its idealist values and ethics remain inherent in Chinese psychology and underline east Asian people's attitudes and behaviour. The combination of Confucian values and modern qualities creates a new title for business leaders in china, the 'Confucian entrepreneurs' for their demonstration of Confucian values such as humaneness, sincerity and truthfulness (Chen, 2007). Confucianism as a transformed doctrine can provide useful elements for a modern society. In this sense, new Confucian values are actually 'post-Confucian' values, as moderated somehow to modern values.

What makes Confucianism relevant to modern society? Some say the Confucian understanding of family as the reason. This holds legitimacy as it is culturally and psychologically relatively important for an east Asian society. Furthermore, Tu (1991) highlights that in post-Confucian societies, family continues to serve as a vital institution for social cohesiveness, moral education, spiritual growth and capital formation. Cons of this? These traditional family relations defined by Confucian moral/legal codes are not enough to meet the requirements of the characteristics of modern society such as flexibility, mobility, equality and democracy. Also, by products such as personal connections rather than codes of public conduct are more important. These can lead to the precedence of hierarchy, patriarchal attitudes and favouritism which hinders the implementation of market economy and the building of a civil society.

A focus should instead be on the moral and spiritual values found in Confucianism. Such as the concern about moral responsibilities of an individual and the humanistic recognising of human life.

An ethic of responsibility:

Confucianism emphasises the self to be the centre of all personal/social relationships but does not aim at the claiming of ones rights, rather it emphasises ones responsibility. It advocates that ones daily behaviour ought to be guided by the rules of rites or propriety, not merely for restricting individuals, but more for the cultivation of the sense of holiness, not primarily for conquering but more for co-operating with others to contribute to the harmony of the universe. The real great significance of this is the possibility of a universal ethic that shifts from a rights-based morality to a responsibility-emphasises ethic.

The humanistic meaning of life:

This tradition has always cherished truthfulness and faith, the meanings of which are virtually understood in two different dimensions. 1.) refers to the personal faith and trust, which enables ppl to endure the suffering and to construct reliable relations between individuals. 2.) refers to the mutual commitment between people and the whole society or the government, without which the social order is hardly to be maintained. Confucianism represents an essentially anthropocentric approach towards faith and trust, characterised by its belief in the ability of humans themselves to cultivate themselves and to transform the world and their lives. Confucian faith is 'fundamentally humanistic' which lays the responsibility for a better world in the hands of the human being itself rather than in the hands of a supremely detached God. In this sense, C represents a different

approach towards the meaning of life. Meaning of life can be realised through moral self-cultivation and self-transformation, the commitment of oneself to the welfare of the family, community and society as well as the influence of his moral and cultural realism over the world. This search for a spiritual meaning in public life is not only crucial for Confucian spirituality, but also for the adaptation of the humanistic belief to meet the spiritual demands of a multicultural society, as this search may only be completed by isolating itself from other religious and non religious traditions.

Conclusion

The rethinking and reinvestigating of Confucianism does not mean a simple revival of old values, but rather a reconsideration and re-evaluation of the essence of its ideas.

Han, P.-C., (2013). Confucian leadership and the rising Chinese economy: implications for developing global leadership. *The Chinese Economy*, 46(2): 107-127.

Leadership styles in the west may become problematic in the east. But the leadership theories of different cultures can cross-fertilize one another. Much analysis of leaderships around the world has until now been plagued by inaccurate or incomplete information, sweeping generalisation and a pronounced American bias. Greater global leadership competencies need to be developed in order to facilitate maximum potential for east/west business and cultural opportunities. As China becomes a key economic player in the global community, it is valuable for understanding the rise in the Chinese economy, from a national/cultural perspective. Li (2008) stresses the distinctive role of China's leaders in comprehending the country's economic performance. Also China has a long history of preparing its leaders by instruction in the principles of Confucianism. This insight makes clear the normative Chinese leadership is best identified as Confucian leadership.

History of Confucianism:

Core values of benevolence and humanity. Its multidimensional concerns were motivated by the intention to achieve self-transcendence and uphold his principles of how to develop a well-rounded virtuous person. It teaches that true learning is moral learning and that society should be ruled and ordered by a meritocracy based on such learning.

Classical Confucianism

-Han Dynasty (205BCE-220CE) Emperor Wu (140-98 CE) established Confucianism as the orthodox doctrine. It was an essential element of Chinese culture until the end of the last dynasty in 1911. Confucius taught that human relations are the foundation on which society is constructed and according to the doctrine, five supporting pillars comprise the basis of the individuals social relationships: WuLun (or five human relationships):

1. Emperor-subject
2. Father-son
3. Husband-wife
4. Elder-younger brother
5. Friend-friend

These are regulated by the five Confucian virtues of :

1. Ren (humanity/benevolence)
2. Yi (righteousness)
3. Li (propriety)
4. Zhi (wisdom)
5. Xin (trustworthiness)

Adherence to these five virtues were considered the norm.

-Individual moral development and self-cultivation in society are at the centre of Classical Confucianism

Neo-Confucianism

-The revitalisation of Classical Confucianism from the 13th-15th century of the Song dynasty (960-1279 CE)

-adopted spiritual beliefs from Daoism and Buddhism, and taught leaders to practice benevolent policy focused on caring for the people and on eliminating human desires in order to enlighten their humanity

-Neo-confucianists developed an inclusive humanist vision that integrated personal self-cultivation with social ethics and moral metaphysics in a holistic philosophy of life; they searched for a way to revive Confucianism with an emphasis on reshaping the intellectual and spiritual learning.

Education and lifelong learning were strongly advocated; it emphasised the unification of knowledge and learning through action. This was first proposed by Wang Yang-Ming (1472-1529)

- insisted that ethical individuals must apply what they have learned and do what they say

- proponents of Neo-Confucianism selected 4 classical Confucian texts which served as the standard for the government service entrance examination for over a thousand years.

- the doctrines of Neo-Confucianism were the only guideline for cultivating and developing leaders in China until 1905, when the imperial government ended the bureaucratic entrance examination

New Confucianism

- fall of monarchy in 1911 deprived Confucianism of its status as foremost institution in Chinese history; Confucianism was targeted as a source of China's problems in a time of cultural turmoil.

- May the Fourth Period (1919) Confucianism received a severe blow from a new generation of intellectuals who had studied and were influenced by Euro-American thought; the first generation of new Confucians came about as a response to the May Fourth movement (a movement of rebellion against tradition).

- emerged in 1930s and sought to find a compromise between Western and Chinese values.

- intellectuals tried to accommodate traditional Confucian thought to Western democracy and science

- Confucianism has again gone through major transformation in response to the development of the global economy

Confucianism and East Asian Economy

- Dirlik (1995) highlighted Confucianism as an alternative form of capitalism to facilitate East Asian economic prosperity

- authors refer to Hofstede and Bond's (1988) study and highlight the 4 key principles they mentioned.

Confucian Leadership:

- humanity and trust are key to interpersonal relationships

- as Confucianism views relationships as complimentary or asymmetrical and reciprocally obligatory, leaders and followers need to carry out their obligations and maintain reciprocal relationships

Leading with Humanism and Benevolence:

- Confucius believed humans need to be kind and humane; kindness means to be benevolent and love others; in the Analects, Confucius stressed that to be humane one must love without distinction (*but there are distinctions using hierarchy?)

- love includes courtesy, generosity, good faith, diligence, and kindness

Leading with Morality and Virtue

- leaders endorse sincerity, generosity, kindness, righteousness, and fairness in order to win trust of their followers. This in turn attracts good people to work for them

- China's problem of corruption has become increasingly severe during the period of economic reform. Paradoxically, China has a high level of corruption within its stunning economic growth. Corruption and bribery are dishonest and immoral, whereas trust usually has the connotation of honesty and high morality.

- past eras of Chinese history were sometimes marked by less corruption, such as the early Han dynasty and the early Tang dynasty; and these periods are still revered as times of

national glory. The Han dynasty confirmed Confucianism as the orthodox doctrine, and the entrance examination for selecting government officials was adopted in the Tang dynasty. -on the other hand, there were times when there was serious corruption, related either to a distorted political system or to lawless government officials who did not follow Confucian principles. Confucian leadership may yet provide the solution for illuminating the darkness of corruption.

-Fernandez (2004) defined Confucian leadership as value-based leadership. He proposed a three level model of leadership, consisting of leading by values, attitude, and behaviour, followed by three attentive practices: careful thinking, speaking and acting.

Leading with Harmony and Trust

-concept of harmony lies at centre of C, emphasising social mutuality and harmony. Justice and kindness are the pillars that underpin organisational harmony and trust. Leaders recognise and integrate differences to attain harmony (Li, 2008)

-continual demonstration of the leaders benevolence and competence is beneficial to the process of building trust leaders gain trust by demonstrating their own morality, virtue and benevolence to the people.

Leading by Example

-Confucius believed that leaders had to be example for everyone else to learn from and follow. They are virtuous individuals (Jun Zi)

-leaders do not treat their subordinates in a way they would not like their superiors to treat them, with this knowledge, leaders are allowed to be leaders and are able to cultivate themselves and maximise the ability of others.

Leading with Paternalistic Authoritarianism

-family is vital for any civilisation; authority builds on the Confucian ideal of the five fundamental social relationships of Wu Lun, particularly, the father-son relationship.

-Farh and Cheng (2000) identified 3 dimensions to Chinese paternalistic leadership:

1.) authoritarianism 2.) benevolence, 3.) moral leadership.

-Hofstede and Bond (1988) argues 'the ideal leader in a culture in which power distances are small would be a resourceful democrat; on the other hand, the ideal leadership in a culture in which power distances are large is a benevolent autocrat or good father'.

- paternalistic leadership is a mixture of well-built discipline, authority, fatherly benevolence, and moral integrity. Great leaders want to establish themselves and seek to establish others.

Implications

-Confucianism has six implications that can be applied in modern managerial practice:

1. Convergence of eastern and western learning – the experiences of Taiwan and HK in retaining Chinese characteristics while adopting western managerial practices suggest a lesson that is transferrable to organisations in China (Siu 2005)
2. Management by Values
3. Small and medium enterprises – China's rising economy is supported by 4 significant values of Confucian cultural tradition: harmony, hierarchy, collectivism, and family (Child, 1994; Lockett, 1988; Whitley, 1992); Cunningham and Rowley (2008) note that the development of small and medium enterprises in China has had a significant influence on the growth of the Chinese economy; many SMEs are family-owned and several studies attribute the success of Chinese SMEs and family-owned businesses to their paternalistic leadership in the Confucian mode (Pellgrini and Scandura 2008); under globalisation, paternalistic leadership is currently facing more and greater challenges, making it necessary to explore how paternalistic leadership, based on Confucian principles, may be able to help SMEs in the ever-changing market.
4. Labour relations – Chinese society has a long-standing collectivistic and hierarchical emphasis in human relationships. Mok et al., (2002) state that the traditional cultural values of loyalty, G, and reciprocity, based on the 5 social relationships have a major

effect on the work-related attitudes and behaviour of employees, producing ore harmonious labour relations

5. Life-long learning – the Confucian emphasis on continuous and lifelong learning facilitates knowledge transfer form the individual to the larger social group
6. Moral education – morality and virtue are universally regarded as essential personal qualities for ethical leaders. Confucian teachings on the moral standards necessary for leadership make it clear that good leaders are guided by the 5 virtues` ; ren (humanity-benevolence); yi (righteousness); Li (propriety); Zhi (wisdom); and Xin (trustworthiness).

Conclusion

The five Confucian virtues are a common ground for understanding the interpersonal acumen needed by global leaders, namely the qualities of credibility, trustworthiness, fairness, honesty, respect for others and humility.

Confucianism provides conceptual and ethical resources for building up a better understanding of what leadership must be in the 21st century; it is not an alternative but a solution for facing the challenges of globalisation

Cheung, T.C., & King, A., Y., (2004). Righteousness and profitableness: the moral choices of contemporary Confucian entrepreneurs. *Journal of Business Ethics*, 54: 245-260.

Confucian entrepreneurs (CE) are defined here as the owners of manufacturing or business firms who harbour Confucian moral values and gives primacy to moral principles over material gains. In the Confucian traditions, such a struggle is manifested in the dialogue on the relationship between yi (righteousness) and li (profitability) which began with Confucius (551-478 BC). Confucius appealed to others to think of righteousness when seeing the opportunity for gain and profitableness.

Confucius and Mencius are the 2 Confucian masters who set the tone for subsequent dialogues in the Confucian tradition. In the eyes of Neo-Confucian in the song and ming dynasties, righteousness vs. profitableness were most of the times referred to as li (principle) vs. yu(desire), representing the forces of good and bad, respectively and are seen as irreconcilable.

The Neo-Cs stressed the power of evil while still in an almost contradictory way regarding evil as something inherently prone to dissipate; they were therefore trapped into the dilemma between the need for moral perfection on one hand, and the almost impossibility of doing so in a world of moral bewilderment on the other.

Around middle of the Ming dynasty, probably due to the large movement of Confucian scholars into the trade business, there was a subtle change in the conception of the relationship between righteousness and profitableness accordingly. They were seen as a duality rather than as being diametrically opposed to each other.

The Confucian merchant as a historical phenomenon

Yu (1996) associate the increased population of China with the transference of Confucian scholars leaving the traditional career path of seeking a title in officialdom, and instead, being businessmen. This was because the chance for scholars to attain an official title was dramatically reduced as the quota for admission into officialdom via the public examination did not increase. Therefore a large number of scholars were forced to seek other opportunities. At around the same time, the capitalist mode of economic activity, however primitive it may have been was spreading especially in the Yangzi river delta (Fu, 1956).

Contemporary Confucian Entrepreneurs

New Cultural Movement (1915-1921_ Confucianism was a major target of criticism; its status as the hegemonic source of Chinese cultural values was challenged by tides of liberalism and socialism.

Confucianism has long lost its institutional support, it lingers on mainly as a residue of Chinese cultural tradition. It is therefore difficult to find individuals today who are strongly committed to Confucian values, especially in the business world where instrumental rationality has come to dominate.

Methodology and conclusions

- 41 subjects from various parts of mainland china, Taiwan, hk, Singapore and kl were selected for in-depth interviews. Finding: their economic action cannot be accounted for by the postulate of utility maximisation, and that the efforts to do business according to their moral principles can be very costly.

-this study found that there are individuals who do not necessarily seek to maximise material gains even in the business world but act in ways that contradict the image of man portrayed by the neo-

classical paradigm in economic. Contrary to the latter's emphasis on the instrumental value of moral virtues, it demonstrates that abiding by one's moral principles can be costly. For the Confucian entrepreneurs under investigation, moral virtues are pursued not for the sake of generating more profits but as an end in itself.

All businessmen aim to make money but Confucian entrepreneurs do not do so in a discriminant fashion. Even with legal boundaries, they distinguish between moral and immoral or meaningful and non-meaningful practices and try to encapsulate their profit-making activities within the boundaries of their moral beliefs.

This study centred on the perceived conflicts experienced by those Confucian merchants interviewed with respect to business practices that adhere to Confucian ethics and the maximisation of material gains.

Chan, G.K.Y., (2008). The relevance and value of Confucianism in contemporary business ethics. *Journal of Business Ethics*, 77:347-360.

Introduction

C is a body of philosophical ethical thought emerged in the 4-5th century BC prior to the industrial age and the modern knowledge economy. Business ethics on the other hand is largely western-orientated. It is also influenced by and discussed primarily with reference to the capitalist framework.

C had to weather the onslaught of criticisms in the wake of the Asian economic crisis of the 1990s arising from or in connection with the allegations of cronyism and nepotism in some Asian countries.

May 4th Movement: Confucianism was maligned and severely suppressed in China' but during the meteoric rise of the east Asian economies in the 1980s and early 1990s, some have argued that C was the bedrock, if not one of the pivotal factors, upon which the economic successes rested. As a practical value system in the Chinese community however, particularly at the familial and community level, C has remained very much alive until the present day.

There is a massive Chinese population both within and outside of the PRC, the birthplace and mainstay of Confucianism. The economic status of china in international business transactions is growing rapidly. It is evident that the potential impact of china and Chinese people in the contemporary business arena is likely to increase in significance.

Historically, according to Weber, Confucianism did not encourage capitalistic innovations amongst businessmen in china, due in part at least to the practice of magic rituals of the emperor, the emphasis on traditions, the reliance on the moral cultivation of the scholar-bureaucrat (as opposed to the profit-making activities of the merchants) and the maintenance of hierarchical relationships.

This study is partly philosopher-based and partly issue-based. This study also focused on the four books of classics (Analects, Mencius, The great learning, and the doctrine of the mean) as put together by the neo-confucianist, Chu His

The relevance of Confucian ethics to the field of business within the board framework of capitalism

Confucian and profit-making

- The Great Learning: 'a man of humanity develops his personality by means of his wealth, while the inhumane person develops wealth at the sacrifice of his personality' and 'financial profit is not considered real profit whereas righteousness is considered the real profit'
- Mencius warned that excessive emphasis on 'profits' will lead the country to ruin
- the emphasis or lessons to be drawn from these statements are that one should strive to attain human virtues such as benevolence, righteousness, humanity and the development of one's personality.
- it would be making a quantum leap to agree that Confucianism was necessarily against business and profit making.
- Confucius did not condemn profit making unless it was for selfish purposes and not for the good of the community
- the question here is whether business is necessarily an activity or practice, which seeks material wealth at the expense of human virtues in a manner incompatible with Confucian ethics.

Western-centric ethical approaches to business and capitalism

- it has been argued that moral considerations and other interests (apart from the profit-making motive) feature in business activities within the capitalist framework. Aristotle, in

similar vein to Confucius, had frowned upon profit-making activities in trade exchanges as being devoid of virtue

Confucian approaches to business and capitalism

- the Confucian argument lies in moral self-cultivation and the development of human virtues, epitomised in the Confucian gentleman (jun zi), instead of focussing on profits. The author does not interpret Confucius in the classics as arguing for a cessation or impairment of business activities, but rather to emphasise the significance of human virtues as opposed to the mere fulfilment of selfish material desires. The Confucian approach suggests that one should adopt a proper focus towards the striving for human virtue and profits respectively.
- whilst man has been regarded as an economic being or having economic value within the capitalist framework, he is not solely defined by economic value.
- there is no necessary incompatibility between Confucian ethics and capitalism
- Nuyen (1999) argued that Chinese philosophy including C is compatible with classical capitalism of perfect competition
- business is not necessarily an activity or practice which seeks material wealth at the expense of human virtues. As business activities (based on profits) are only a part of human whole life (based on human virtues), one ought not to seek material wealth at the expense of human virtues.

The principle of reciprocity

-various formulations of the broad concept of reciprocity in western-oriented business ethics, manifested in the ethical theories of Kant, Mill and Rawls.

-Kantian categorical imperatives of universality and respect for humans (both consistent with reciprocity principle) feature prominently in the business ethics texts.

1. First formulation of universality mandates the moral agent to “act only in accordance with the maxim through which you can at the same time will that it become a universal law (double standards with respect to the application of the moral actors actions to persons similarly circumstanced, are not to be condoned)
2. second formulation of humanity: requires actors to “use humanity, whether in your own person or in the person of any other, always at the same time as an end, never merely as a means (based on the concept of human dignity and autonomy; the treatment accorded to the other persons ends must be reciprocated by the other persons treatment of the moral agents ends)

Kant's categorical imperatives are premised upon the Good Will, a sense of moral duty and human rationality. Though both C and Kantianism embody principles of reciprocity, the difference lies in the respective premises. The Confucian approach based on ones virtue and the development of character may be contrasted with the Kantian emphasis on Will, reason and moral duty.

-Mill often cited as the advocate of utilitarianism in business ethics texts.

- utilitarianism is not concerned with the moral agents own happiness, but the happiness of everyone concerned.
- Mill has been criticised for ignoring the ‘separateness of persons’ and the agent’s contexts and circumstances which inform his decision-making. These personal circumstances and background may include the moral agents unique personal and familial relations to affected personas that have been taken into consideration in Aristotle’s Ethics and Confucian ethics.

-Rawls A Theory of Justice focuses on concept of the veil of ignorance

- based on the doctrine of social contract: the free, rational, and self-interested man in the original position would be making decisions without any knowledge of each party’s personal characteristics such as race, abilities, and social backgrounds.
- the rational man however desires to maximise the primary goods consisting of rights, liberties, opportunities, income and wealth.
- in this conception of ‘justice of fairness’ the parties are morally constrained to consider the interest of everyone insofar as ones own interest may be affected by the community principles of justice drawn up... and this is compatible with the reciprocity principle,

-BUT the man in the original position under a veil of ignorance is an imaginary construct and a hermeneutical tool to illustrate the concept of justice as fairness.

Confucian Ethics

- guiding principles for one's entire life? Altruism and the golden rule 'do not do to others what you do not want them to do to you.'
- the C approach offers a different perspective by making a connection between the reciprocity principles to important human virtues, unlike the primary underlying bases in Mill (disinterested and benevolent spectator), Kant (will, reasons and duty), and Rawls (fairness); according to the Analects (Book VI, Number 28), the person who abides by the principle of reciprocity is a man of humanity – a man of humanity is one who practices the five virtues of 'earnestness, liberality, truthfulness, diligence and generosity'
- In book of Mencius (VII, A 4) 'try your best to treat others as you would wish to be treated yourself, and you will find that this is the shortest way to benevolence'
- another aspect of C that differs from the western ones is C's particularistic application of the reciprocity principle – the C reciprocal principle appears to be qualified (and indeed complicated) by the apparent emphasis on familial relations.
- Confucian li (rule of propriety) means that the concept of human dignity is not equal for everyone but is based on one's societal roles as well as family background and occupations; in the employment context, a strictly hierarchical and authoritarian structure within the work organisation according to C ethics would be contrary to the notion of participatory democracy in the workplace based on freedom and consent as endorsed by Kantianism.
- But admittedly, the specific illustration about the father concealing the misconduct of the son and vice versa is problematic as it appears to not merely condone, but to praise the act of concealment of a wrongdoing
- the Confucian emphasis on particular familial and close relationships (in the authors view) is underlined with an appropriate sense of realism.
- this emphasis on hierarchical relationships in the practical business arena is also shared by western theorists such as Drucker (Romar, 2004; Drucker, 1981).

Guanxi

- still on the principle of reciprocity and hierarchy, one fruitful area of research pertains to the concept and practice of G, bribery, and corruption in Confucianism Asian countries. The concept of G is based on and reflects the principles of reciprocity and interdependence as well as hierarchy in society.
- G involves social exchanges for mutual benefits which favours parties superior in the hierarchy (*but in another study, they said that the one lower of the hierarchy tends to benefit the most from such social exchanges, and in turn the superior achieves 'face')
- Su et al., (2003) found that favour seeking G orientation is not related to ethical reasoning (cognitive moral development) of Chinese business people, but is instead guided by cultural norms.
- Su and Littlefield (2001) found that favour-seeking G merely reflects the culturally rooted social interchange in the Chinese collectivist society as oppose to rent seeking G (the returns over and above the costs of employing a monopolistic resource eg bureaucratic power, by manipulating government policy). The latter tends to be associated with corruption.
- Dunfee and Warren (2001) focus on the normative question of whether the reciprocal practice of G in its various forms and guises is unethical. They concluded that "there are many different forms of G that may have distinct impacts on economic efficiency and the well-being of ordinary Chinese citizens.
- Fan (2001) appears more direct in condemning the majority of business G in China as an 'inevitable evil under the current political and socio-economic environment' on the grounds that personal gains are obtained by such G practices at the expense of other members of the society. Significantly, Fan (2001) reminds us that although Confucianism was responsible for the principles governing interpersonal relations amongst the Chinese people, Confucius had

also emphasised the exemplary virtues of uprightness (yi), benevolence (ren), and propriety (li) and that moral concerns should always be prior to business interests.

Human virtues and the mean

- There are several commonalities between Confucian and Aristotelian ethics; both had negative attitudes towards profit making; both frameworks emphasis human virtues; both philosophers believe in the significance of exemplary individuals for guidance and training in proper ethical behaviour (Sim, 2001).
- the person of exemplary virtue is Junzi and Phronimos for Confucius and Aristotle respectively. Both of these exhibit desirable attributes of uprightness and other-regarding conduct. Both ethics are based on the need for the practice of such human virtues and the cultivation and development of ones characters. These concepts of moral cultivation and moral leadership are arguably vital pillars in business ethics education.
- in C ethics, less emphasis on individuals as a metaphysical self compared to Aristotle philosophy. The Confucian individual is interpreted in connection with the community in which they are a part. The cultivation of the inner self is basically assessed by reference to ones external behaviours (Yao, 1996). The Confucian moral actor cleaves towards ethical standards to be found in a set of societal rituals and propriety (li) though the self is not completely surrendered or submerged, as it were, in the sea of ritualised standards.
- on C ethics, familial relations are prior to the individual. The good arising from the emphasis on familial relation also extends to the state. This sacrificial attitude/approach is consistent with the other-regarding conduct of the moral exemplar in Confucian ethics.
- Confucian ethics provides a more consistent rendering of exemplary conduct through its greater emphasis on relations, as opposed to Aristotle's individualism
- The Mean is inextricably tied to human virtues: it is practised by the superior man whilst the inferior man acts contrary to the mean (The Doctrine of the Mean, Stanza 2). Three virtues were highlighted in this Confucian classic: wisdom, humanity and courage.
- from the Confucian philosophical perspective, the relationship between the employer-organisation and the employee ought not to be treated on an equal footing. The employee is expected to show 'filial love' to the employer, but may not necessarily demand the same love to be shown by the employers towards them.
- Chiu (2003) acknowledged that although Confucian values such as loyalty, respect for authority and harmony may present obstacles to a potential whistle-blower, C also promotes 'pro-social' behaviour which allows protest and dissent against authorities when they are incompetent or public welfare is at stake (<http://www.bbc.co.uk/news/magazine-29612193>)
- Zhuang et al., (2005) found that Chinese are more unwilling to report unethical acts of supervisors compared to peers due to the high power distance of the Chinese.

Conclusions:

Confucian ethics provides interesting parallels with western business ethics in respect of the ethics vs. business profit-making debate and in comparison to Aristotelian ethics, the focus on human virtues and the mean. At the same time, C ethics diverges from western business ethics in its greater emphasis on hierarchy, G, social traditions and harmony, and again comparing with Aristotle, the C focus on the concrete individual moral actor rather than the metaphysical self. It is urged that philosophical perspectives be further tested by the empirical studies on bribery, whistle blowing and other contemporary business ethics issues.

Yim, Y.W., Maher, T.E., Evans, N., & Nicholson, J.D., (1998). Neo-Confucianism: the bane of foreign firms in china. *Management Research News*, 21(1): 13-22.

Introduction:

Deng Xiaoping's 1978 'Open Door' policy was not intended to create a true free market society. Foreign firms found that they had to give much in order to receive little and that a return on their investment, if attainable, required a far greater commitment of time and effort than their resources would permit. Instead of an 'open door' policy it was much rather a 'let foreign things serve china'. This article seeks to show that China's behaviour is driven more by its culture than by the competitive interaction of global business dynamics. It also seeks to show that the major force in its culture, despite its communist political system, is Confucianism, particularly, Neo-Confucianism, and that it sharply conditions the way in which china expects to be dealt with, not just at the international political level, but at the international trade level as well.

The authors recognise that the competitive forces of global business and China's envy of democratic successes have wrought positive changes in the way in which china deals with foreign investors. But those changes appear tactical only and, under scrutiny; seem not to have altered the essential nature of the Chinese mind-set.

A brief history of Confucianism

Confucius (K'ung Fu-Tzu) was born in 551 BCE of poor but noble background. He held the view that love of humanity (jen) was realised in stages, and developed the notion of filial piety, as the intermediary step in the process, with the father at the top of a hierarchical structure. Thus, a seeming paradox occurred: Confucianism was both classless and hierarchical. It was classless because reward (eg educational and professional opportunity) was to be based on merit, not heritage. But it was hierarchical because love of humanity depended on harmony and required that one accept one's own role in life while others occupied higher and lower levels than oneself.

Confucian ideals deeply rooted in family. Values such as virtue and sincerity were developed from the family. The family and state were to be led by virtuous example and the golden rule, not by the enforcement and sanctions of law; Confucianism involved both the conscientiousness of the individual and the altruism of society. Harmony was the key.

Confucianism waxed and waned for more than 1000 years as other ideologies arose and became popular (Taoism and Buddhism). Confucianism began to develop and articulate its own philosophical rationale in the 10th century, CE. This intellectual pursuit was called Neo-Confucianism which was the primary ethical orientation in china ever since. Submerged by the Cultural Revolution (1966-76), it merely lay dormant until more favourable conditions appeared. With China's 'Open Door' policy of 1978, Confucianism has become more visible.

Neo-Confucianism sought to reject the negative WAY (non-being) of Taoism and the even more negative Void of Buddhism. It did so by using traditional Confucian thought to create and define a positive, concrete and rational notion in contrast. It called this "Principle" (Li). Principle is generally accepted as universal truth, universal order, universal law, and the universal process of production and reproduction (Birth and re-birth). All things are caused by it and all things possess it.

Implications for the managers of foreign firms

-China seems to have become fixated on filial piety and familism. There seems to be little forward movement toward the universal love, harmony and peace that Confucius ultimately envisioned -the hierarchical structure inherent in the models has produced parochialism and social inequality with social rituals preserving both. Also while it has strengthened the bonds within the nuclear family, it has produced an insularity that excludes outsiders from business opportunities that in the eyes of foreign investors are not really family-related and are not a valid basis of exclusion.

-the family based hierarchical structure also encourages nepotism and favouritism. The result in the world of business is a need for 'connections' which are often more effective determinants of success than product quality. The Doctrine of the Mean tends to blur the sharp distinctions necessary to compete successfully in a free market system, blunts competition, and pre-empts the existence of a judicial system wherein rights and duties can be objectively adjudicated. The rigid structure of the hierarchical system also produced 'under the table' dealings, 'dirty money' (bribes), and other forms of corruption, which seem to pervade China's business environment.

for foreign firms, the implications of Chinese Neo-C-based behavioural patterns focus primarily on social inequality, social ritual, familism, G, face, sun yung (mutual trust). These adversely affect the foreign firm and are discussed below:

Social Inequality

- inequality is the hallmark of C, and it is used to create security for the elite. The much-mentioned five cardinal relations create a hierarchical system that puts people in strict submission to a set of interdependent relationships. If those relationships are violated the offender is punished according to the seriousness of the offence. These notions of hierarchy and punishment apply to all political, social and business settings.

Social Ritual

- the Chinese rely on Li (Principle) to maintain social inequality and privilege. Neo-Confucians derived Li by distilling Confucian philosophy, but Confucian scholars over the years added much to it. As a result, Li is not only an elaborate set of social rules that dictates daily activities and attitudes, but it sets the ethical standard, as well. It provides the Chinese with morally binding relationships and determines what the Chinese say and how they treat and act in front of each other.

-in its ritual aspects, Li involves exchanging gifts and hosting banquets and dinners. The larger the gift and the more expensive the dinner, the more 'face' the other party thinks the host has. These dinners/gifts build up G. As much as Chinese dislike Li, they find it useful in maintaining social harmony in a system in which people's lives are predetermined by a hierarchical system and its by-product, inequality

-the Chinese believe that open disagreement and confrontation should be avoided because it violates Li and is uncomfortable for both parties (*connect this to the bbc article where there's not just problems for foreign firms, but also for local ones... when reporting corruption, an employee is given a harsher sentence than the company and it was in part due to his fellow employees that said he ruined the harmony or social balance.)

Familism and Guanxi

-Familism goes hand in hand with social inequality and is of vital importance to the Chinese.

-the Chinese see themselves as a super-family headed by a government which has indisputable authority over everyone in the family. The Chinese elite control wealth and use familism to command contributions from people.

-to maintain order, individuals are tied to each other by an intricate network of morally obligatory relationships. The family has to appear harmonious on the outside in order to protect itself and it is important that no member shame the family.

-outside of the family, the Chinese offer benefits to other Chinese people first. Guanxi connections are then established and bonding develops.

Face And Mutual trust (Sunyung)

- as mentioned, because of social inequality, familism, and li, the Chinese have an elaborate set of rules for doing things. But everything depends on sun yung, which is the trust an individual earns from others 'Face' enables one to reach individuals of authority within the hierarchy, while sun yung makes possible the successful conclusion of the transaction.

The reappearance of Confucianism in China

- Confucian familism shares sentiments similar to those expressed in the central communist adage, "from each according to his ability, to each according to his need"
- the Tiananmen Square tragedy of 1989 underscored that fact and was a warning to Chinese leaders that the people need an acceptable cultural/political focus. In the ideological vacuum that culminated in Tiananmen Square, Chinese leaders were at a loss to deal with the students' demand for democracy, which of course has never existed in Chinese history. The gradual reappearance of Confucianism is filling that void.

Concluding remarks

- during 40 years of economic stagnation, china has seen Taiwan, Singapore, and hk grow into major economic centres. One the things the have in common in addition to their entrepreneurial spirit, is a strong Confucian culture which as not disappeared with the advent of global competition and democratic influence. On the contrary, it seems to flourish in such an environment.
- no doubt the competitive forces of globalism will affect how china does business in the 21st century. But there is every reason to believe that foreign investors will have to deal with C for some time to come and that they must understand its idiosyncrasies in order to effectively formulate their strategies in the light of its highly parochial orientation.

Tan, J.Y. (2003). "Confucianism and Neo-Confucianism". New Catholic Encyclopedia. 2nd Ed., Vol.4., Thomson/Gale: Detroit. 95-99.

The term 'Confucianism' was organically coined by 16th century Jesuit missionaries in China. While the vision and ideas of Confucius and his followers such as Mencius (Mengzi) and Xunzi (Hsun-tzu) played a key role in animating and enriching the all-encompassing tradition rooted in Chinese culture and philosophical-religious thought, such traditions predated Confucius.

The efforts of Matteo Ricci and his Jesuit companions to canonize Confucius as the 'founder' of Confucianism had more to do with missiological exigencies. In the absence of an appropriate term, the term Confucianism is used as a convenient label for the Chinese cultural-philosophical tradition shaped by Confucius and his followers beginning from the period of the Warring States (481-221 BC) and leading up to the Song dynasty (AD 960-1279).

The term 'Neo-Confucianism' is often used to refer to the developments in Confucian thought from the Song dynasty to the collapse of the Qing dynasty (1644-1911). It has been similarly criticized for its misleading portrayal of a unified and normative movement, overgeneralizing the reality of a diverse plurality of vibrant, competing schools of thought in China during the period from that included Daoxue (School of the Way), Lixue (school of principle), and Xinxue (School of the Mind).

Canonical Texts

-one major characteristic of C and Neo-C is the absence of any creeds or official dogmas
The traditional Confucian corpus is identified with the Five Classics (Wu jing) that Confucius supposedly edited:

1. Book of Poetry (Shijing)
2. Book of History (Shujing)
3. Book of Rites (Liji)
4. Book of Changes (Yijing)
5. The Spring and Autumn Annals (Chunqiu)
6. (as sixth classic, the Book of Music, (Yuejing) is no longer existing)

Zhu Xi (Chu-hsi) was the great Neo-C philosopher that formulated the canonical list of the Four Books (Si shu):

1. The Analects (Lunyu)
2. Mencius (Mengzi)
3. The Great Learning (Daxue)
4. Doctrine of the Mean (Zhongyong)

There was no official orthodoxy or revealed dogmas on how these 4 books or the five classics were to be interpreted and appropriated. This paved the way for the emergence of diverse creative and novel interpretations, all claiming to be faithful to the teachings of the First Teacher himself

Existential Quest

-'knowing' for Confucius and his followers is about knowing how to be adept in one's relations with others, how to make use of the possibilities arising from these relations, and how to trust in the validity of these relations as the cornerstone for familial and social harmony.

-C and Neo-C have been adept at adding interpretive layers of meaning to the classic terminology rather than creating entirely new systems of thought in their existential quest for meaningfulness in human living.

Human Nature

Human Nature (renxing, jen-hsing) became a major contentious point between Mencius and Xunzi, the two major Confucian philosophers representing the idealist and rationalist wings of Confucianism during the period of the warring states (481-221 BC).

-Xunzi rejected Mencius' positions, insisting that the inherent human tendency is toward evil, and goodness can only be imposed externally through education and disciplined self-cultivation. Although Mencius and Xunzi had diametrically opposite understandings of human nature, they converged in agreement on the need for proper education and personal self-cultivation.

The Five Constants (Wu chang)

The Confucian existential quest for meaningfulness is not limited to the human-self, but contextualised in a unity of the cosmological, social, familial dimensions of human living. Confucius and his followers called this the Way of Heaven and its Mandate (Tianming) for virtuous living. The classical Confucian paradigm for virtuous living is the proper self-cultivation of the 'Five Constants':

1. Ren (jen, Human-ness)
2. Yi (appropriateness)
3. Li (Propriety)
4. Zhi (Wisdom in thought and action)
5. Xin (Keeping to one's word)

Merely knowing these virtues in an intellectual, theoretical sense is not enough. Each school within Confucianism and neo-c insists on the need for actual personal self-cultivation of the five constant, each proposing different approaches to this quest.

The Five Relations (Wu Lun)

- another classical paradigm that defines the five foundations relations of a Confucian society:

1. Parent- child
2. Ruler-subject
3. Husband-wife
4. Elder-younger sibling
5. Friend and friend

The first four relations are hierarchical relations, while the fifth is a relation of equals (*though one article put older and younger friends, indicating a hierarchy)

The five relations reveals that the hierarchical ordering of familial relations is the principal foundation upon which complex, interlocking human relations in the Chinese society are constructed.

Emergence of Neo-Confucian Schools

After centuries of competing intellectually and spiritually with Daoism and Buddhism, C scholars in the Song dynasty initiated a process of reinterpreting traditional Confucian classical texts to formulate new answers that responded to the challenges brought by Daoism and Buddhism. This process gave rise to new innovative schools of thought. This revival and revitalisation of Confucianism started with the writings of the 5 northern Song scholars.

Early Neo-Confucian Developments

While overtly condemning B and D, these 5 scholars were busy combining metaphysical elements borrowed from those 2 religions with traditional themes from C classics such as the 4 books. They did not view their actions as distorting or betraying their predecessor's vision. In fact the innovations were adopted to justify and strengthen the Confucian vision of life that was under threat from its 2 main rivals. Nevertheless, what emerged from the ruminations of these scholars was a novel and innovative metaphysical framework for Confucianism that was designed to counter the attractiveness of trivial D and B metaphysical systems.

Zhu Xi and the School of Principle

It was the great Neo_c scholar, Zhu Xi who synthesised the efforts of these 5 neo-Confucian scholars into a coherent metaphysical framework that later became the foundational texts of his rationalist School of Principle (Lixue)

The purpose of education is to acquire knowledge of the descriptive and prescriptive aspects of li (principle) through the 'investigation of things' (ge wu). He insisted on the necessity of investigating all things, arguing that if one merely investigated one thing, there is no basis for differentiating particularity from universality within the li (principle) that constitutes that one thing.

Young, A., (2010). Regulating corporate governance in china and hong kong: do Chinese values and ethics have a place in the age of globalisation? In: *Proceedings of the Fifth Annual Conference: The Asian Studies Association of Hong Kong*, 8-9 January, 2010, University of Hong Kong, Hong Kong.

Introduction

As much of the Asian economic crisis in 1997 and more recently the global economic crisis in 2008 had focus on enhancing corporate governance and accountability of directors, little has been said about developing a system that can be adapted to suit the culture and values of particular jurisdictions. China, and HK do not necessarily share the same problems with the UK, US or Australia so why adopt measures instituted by these countries? The logical course of action is to incorporate norms and values that are unique to china and hk while adopting the innovations in regulatory strategies to improve overall effectiveness and compliance.

Paternalistic Governance and Confucian Values

Hofstede, a pioneer in the field of cross cultural management came up with 5 value dimensions identifying cultural and behavioural difference between countries. The most relevant value dimension to corporate governance is 'power distance'. In HK, the power distance score is 68, which indicates the inequality of power is high.

-another finding unique to Asian countries according to hofstede, is the influence of Confucian doctrines.

-Paternalistic leadership is authoritarian: decisions made by head of the company should not be questioned or debated over.

Results from Hofstede and Bonds survey showed that HK is one of the four Asian countries scoring high on Confucian dynamism. They found 'it then appeared that the country scores on CD derived from this exercise are strongly associated with those countries economic growth. Thus we have found a cultural link to an economic phenomenon'. Some of the Confucian values accredited for the high economic growth include hard work, education, thrift and social order.

The Analects: Confucius believed that a nation led by law is condemned because perpetrators would find ways to avoid punishment.

The moral foundation of li is the concept of ren; ren is the essence of perfecting ones virtues or perfection of human character. It is also central to Confucian ethics and the foundation of the Confucian order.

Confucian doctrines are moral based code of conduct, intended to cultivate ones moral values. it is aimed at internalising these values to govern individual conduct, like a self-disciplinary mechanism, but in practice, rely on social coercion to shape behaviour and reframe from immoral or unethical conduct. And it lacks formalised due process or detailed prescriptive standards to govern individual behaviour, Confucius's teaching are also vulnerable to varied and creative interpretations.

Even though china is still under considerable influence of the state, its massive privatisation and listing of state-owned enterprises in its stock markets, greater delegation of regulatory responsibility to corporations will gradually be introduced because of inefficiencies of a command and control regulatory system in a modern economy.

With regards to the modern self-regulatory regime and traditional Chinese values. for centuries, china had been adopting customary practices and social norms drawn from Confucian ethics to regulate commerce and trade, therefore china has a track record of self-regulatory systems.

Confucian ethics uses moral excellence as self-disciplinary mechanism. And it internalises those moral values to ensure individuals act accordingly. Therefore, applying meta-regulatory instruments in modern china and hk would in effect legitimise some elements of Confucian doctrines; new procedures and processes in the modern meta-regulatory framework will ensure it complies with current objects of the law are actualised.

Nevertheless, traditional values will play a key role in the success of meta-regulatory framework in china as well as HK, especially in the regulation of corporate governance since Confucian ethics are already the foundation of paternalistic governance widely practice in HK and is slowly gathering pace in Chinas private family-owned businesses.

Conclusion

While we put in place more structures, add new protocols and processes to ensure greater transparency and procedural fairness, relational matters are dynamic and often culturally influenced.

Paternalistic governance in china and hk is product of Chinese traditional values namely from a Confucian doctrine.

Confucian values are morally based, where concepts of li and ren forms the core values of benevolent leadership.

Meta-regulation is a new regulatory innovation adopted across many modern western countries like the uk, aus, nz and the us. This is a system of self-regulatory frameworks where a broader view of regulation is embraced. This came out of the realisation that command and control type regulation is ineffective in particular, in the field of commercial regulation. It takes into account norms and values, as well as the role of various stakeholders with vested interest in regulating the behaviours of the targeted regulatees. Since the regulation of trade and commerce in ancient china as predominantly self regulatory through custom inspired by Confucian ethics focusing on self discipline as a regulatory mechanism to shape behaviour and norms, hence a clear benefit for adopting meta-regulatory framework in modern china and hk-it is not an entirely alien concept. Besides, Confucian ethics would enhance regulation with the use of an ethical code of conduct or guidelines as a form of 'soft law'. This would not only improve regulatory compliance, but also allow these codes or guidelines to include Confucian doctrines. Therefore by aligning china and hks norms and values in the form of soft laws with the hard laws (eg directors fiduciary duties_, the anticipated outcome is a more response and integrate regulatory regime.

Ruhle, S., (2011). *A different capitalism?: Guanxi-capitalism and the importance of family in modern china*. Frankfurt am Main: IZO

Abstract

Capitalism is not a concept that shapes a uniform institutional framework within every society, constructing a specific economic system. Rather, depending on the institutional environment- family structures in particular- different forms of capitalism arise. To exemplify this, the networking (guanxi) capitalism of contemporary china will be presented, where social institutions from the past were reinforced for successful development. In contrast to Weber, it will be argued that capitalism does not necessarily lead to a process of destruction of traditional structures and to large-scale enterprises under rational, bureaucratic management, without leaving space for socio-cultural structures like family businesses.

Introduction

Since china opened up to the global market in 1978, it formed an economic system that presents a specific type of capitalism, embedded in the socio-cultural environment of post-1978 china. It successfully thrives within a different framework of institutions, especially relying on the family and personal connections to facilitate business, comprising a way of doing business 'Chinese style'. It is often doubted that this version of capitalism will be sustainable and many believe that over time it will transform into a system that converges to the usual contractual market institutions found in the west. Although china is considered as increasingly important for the shape of the global economy, it is argued that it still needs to follow the basic rules of a market economy. Once the economy develops into a mature capitalistic society with its own functioning set of legal institutions and secured property rights, the necessity of maintaining Guanxi connections for economic success will come to an end. This line of argument also perceives G as less efficient and more time and money consuming than the western contractual institutions.

This paper argues that it is possible to achieve economic success with a variety of capitalism based on a different set of institutions. Depending on the institutional environment- family structures in particular- different forms of capitalism arise. There is not one 'best practice' for a country to follow the dynamics and regulations of a capitalistic economy, but depending on the specifics of the institutional background of a country, there are diverse ways to efficiently implement capitalism.

It will be argued that personal connections based on the family structures prevail and that the small-scale production of family firms has a comparative advantage in the globalized world of today. These key factors determine the further development and success of the Chinese economy and the type of capitalism arising there. Small Chinese family firms connected over G networks are able to respond to rapidly changing demand and motivate maximum efforts for modest pay.

One Capitalism? A different varieties of capitalism approach

Capitalism: associated with an economic system where capital is central for all economic transactions and activities, together with a liberal economic order with free workers and freedom of property.

Theoretical Foundation

David Lane: the VoC approach does not capture the dynamics of the economic systems in the countries undergoing transformation

All types of capitalism share some prominent features, such as the accumulation of money and wealth as a common objective of capitalistic actions. McNally (2006) named the three basic elements of capitalism: 1.) the drive to amass capital; 2.) the emergence of market society; 3.) the bifurcation of secular authority (means that an autonomous, self-directing economic realm appears that assures the continued existence and social influence of capital-holders).

As opposed to Weber and Western Capitalism, the author defines a Chinese form of capitalism that is embedded into a different institutional framework based on different principles such as *Guanxi* and the family and therefore requires a different set of institutions than the western type. And also though shared characteristics exist, there can be an alternate embodiment of capitalism in different regions with diverse cultures and history, and thus a specific Chinese capitalism depending on a particular institutional framework exists.

Chinese Capitalism and the role of the family

***Guanxi* and its role for the Chinese economic system**

-the economic rise of the Asian region, most recently China, coincided with an increasingly flexible global production and thus the transformation to a capitalistic economy increased its pace since the 1990s. This is partly due to the (re)construction of a private sector and entrepreneurship parallel to the state sector. The Chinese population was able to resort to social-cultural institutions, such as personal networks, from their own history, which were not forgotten during the time of communism. The family was the most prominent device for establishing small businesses and networks.

Guanxi: the Chinese expression for personal networks; it describes the dynamics of constructing personal relationships within network and is a central feature of today's Chinese society. Personal connections between individuals consist in granting favors, receiving services or in gift giving. The social status of people interacting in *Guanxi* needs not be equal, more important is the existence of *Ganqing* (feeling) even in hierarchical relations. *Guanxi* is built on pre-existing links to people with whom a shared identity exists, like those from the same regional origin, classmates, teachers, superiors or co-workers, but most importantly with the family.

Therefore, *Guanxi* is a process of inventing and re-inventing relationships as ongoing 'social engineering'. *Guanxi* is embedded in most functions of everyday life, including agricultural production, political alliances, and recreational or economic activities.

Concepts related to *Guanxi* are *Ganqing* and *Renqing*. The first reflects the depth of emotion found in friendship, family and kin relationships. The second includes many virtues like loyalty, justice, honesty or mutuality. These feelings are the source of ritual (*li*), which is also part of the Chinese expression *liwu* meaning gift. The gift-giving relations of *guanxi* can be understood as a 'total social phenomena' with their own etiquette and rules. Gift giving depends on the social status of giver and receiver. *Renqing* emphasizes the value of maintaining personal harmony and social order among persons situated in hierarchically structured relationships. *Renqing* are long-term debts established by receiving a gift, enduring even generations. The notion of reciprocity, obligation and indebtedness is essential for personal relationship, but can also have a tactical dimension to it.

The Cultural Revolution is often seen as a turning point for more manipulative relationships and declining moral standards. Not able to decide without influence of the network, people used *Guanxi* to put social pressure on individuals to take away their self-determination. The results of relationships are not mere material gains or granted favors, but 'the discernment, acuity, and cunning need to get by in life' affected the essence of connections.

During the post-Mao era, particularism and instrumentalism also dominated behaviors, using ritualized relationships, especially for doing business. *Guanxi* is often seen as a 'shortcut around, or coping strategy for dealing with, bureaucratic power', especially in urban areas. Beside the family, neighbors and other non-kin connections are important. Other personal urban networks are ppl known from the military, or university, creating fictive quasi-kin relationships. *Guanxi* is obviously important for business relations.

While most ordinary ppl practiced G during the Cultural Revolution, it became an instrument of businessmen afterwards. This means that the idea of loyalty and trust is carried over as principles of business relations. If ppl are seen as family-like and if they can be trusted because long-term relationships exist, it is possible to found enterprises or share resources with them. The networks with non-kin based on Ganqing are the seed from which private entrepreneurship stems. Thus the core group, even of larger enterprises, are still often family members or good friends.

Customers prefer to do business on the basis of already existing relations; investments based on G are established much faster; gift exchange serves the logic of a capitalism just emerging within a socialist society, which still has gaps in its legal system and lacks the institutions which enable it to establish enterprises in a rational, exact procedure. G can thus be regarded as a substitute for formal institutions (*but other study found G can only be a complement not a substitute for formal institutions).

G reveals a resistance to and a mistrust of formal organizations in sidestepping official ways of, for example obtaining employment. As also courts and the enforcement of laws are still viewed as easily to manipulate and therefore corrupt and the concept of universal rights and individual jurisdiction are perceived as alien and imported from the West, solving problems within ones networks based on mutual obligations is considered far more effective (Peng, 2004). Those market 'imperfections' favor business connections among smaller groups of people over more complex organizational structures. Social relationships built on gift exchange provide a substitute form of trust that can improve the profitability of investment and reduce the risk of arbitrary bureaucratic interference that is not in the interests of investors. It mobilizes cultural values such as obligation and reciprocity to pursue 'both diffuse social ends and calculated instrumental ends', substitution for and complementing of the (not yet) existing market mechanisms.

Although G often touches the edges of corruption, it is more subtle than bribery would be. The difference between gift and bribe is mostly depending on the manner of giving. If in giving gifts the motive of getting something in return is getting too obvious, the gift may get interpreted as bribe. For corruption, a connection is only established for the purpose of bribing, whereas for G an already existing relationship is mandatory before gifts are exchanged.

The instrumental side of G has also role aspects and serves as a social function. It therefore not only has a manipulative side of mutual exchange, but entails also the notion of emotional feeling for the acquaintance. For example, if a businessman wants it to be clear that he is engaging in G, the relationship has to be of more importance than the instrumental goal connected with the gift. The pre-determined etiquette has to be followed, otherwise the exchange will be regarded as bribery. Even if an instrumental purpose is the reason for engaging in G, it has to be apparent that ppl engaging in the negotiations share strong Ganqing, which raises the exchange to a higher plane.

G prevents to be dependent on corrupt officials and thus minimizes the expenses without loss of face. As a result a private sector based on small enterprises often in the ownership of families is created which established its own rules- the art of G.

Contrary to western capitalistic thinking there is a gain of giving away. The more generous businessmen prove to be the more symbolic capital –social status and face he gains.

Views on the traditional Chinese family

-the Chinese kinship system always played an important role in the Chinese social system but has been evaluated differently over time. In imperial China, the individual defined itself through the family, typically living in self-sustaining households. The clan filled the institutional gap in Chinese social and political structure because it fulfilled duties like acting as juridical author and lending money.

The Confucian culture of authoritarianism, hierarchy and ethnocentrism fosters economic activity in the form of family businesses rather than large corporations. China has a this-worldly orientation and is based on traditionalism instead of change and innovation and for Weber is thus impedimental to rational bourgeois capitalism. Further obstacles are the requirement of Chinese families for strict obedience to parental authority. This and the distribution of resources according to the status within the family generated a lack of work discipline due to nepotism. Open positions had to be filled with family members and thus labor could not be acquired from a free labor market. Through the lack of personal mobility the spread of ideas and technology is also nearly non-existing. Additionally, due to the fact that sons inherit equal shares of their fathers company by traditions, it never grows over a certain size.

Interestingly, Weber argues that Confucian cultures are able to absorb Capitalism more easily than other non-western societies. The reason for this he attributes to the specific role of family networks and the importance of learning in China. These he perceived as essential for an easy incorporation of capitalism.

The risk-taking and innovation essential for such a system to work is not given in a conservative environment that values harmony and a static state structure. Weber also considered the Chinese way of doing business only with people they are somehow connected to as a weakness. The skill to establish networks, and more importantly, the time and effort required to set up such systems, distract from business and promote corruption.

When the communists assumed control over the country in 1949, they were determined to get rid of the familism of the Chinese society. They also believed that the traditional patrilineal Chinese family constituted a threat to modernization and an obstacle to Chinese development. They identified the family as an antagonistic corporate body to the influence of ideology and nationalism. For those reasons the communists tried to weaken and even destroy traditional family structures with political actions in order to win back control. As a consequence of the collectivism of agriculture and the introduction of communes instead of clans, the peasant household was deprived of its economic base. Formal family firms were converted to state-owned enterprises. The peasant became hired farm workers with only little opportunity for economic diversification within the family. But family values prevailed, even after the Cultural Revolution.

The Chinese family and economic development after 1978

The transition to capitalism and the reviving of institutions

After 1978, the transformation of the Chinese economic system, from a planned to a market economy based on competition and the division of labor went surprisingly smoothly. It was made possible by the revitalization and creation of institutions to expand, regulate and channel economic transactions, especially in the private sector. They were designed to complement the existing institutions. The (re)newed institutions were a response to the organizational problems arising in agriculture, industry and commerce in the course of reforms.

Hence, the Chinese transformation was only possible with the emergence of entrepreneurs and privately owned enterprises. The particular problems found in the Chinese economy

after their entrance in the global market were mostly efficiently faced with the re-utilization of Chinese family enterprises and personal networks as a means to do business the Chinese way. Thus, past institutions were adapted and revived, bridging the gap of social order, left by the breakdown of socialism after the Cultural Revolution. Institutions based on traditional values assisted in finding a unique way of business practices, creating a specific Chinese capitalism based on G.

It was assumed that G would vanish after the Cultural Revolution when it mainly served as a means for survival. But G adapted to the new institutions of the emerging capitalist state. G facilitated the reviving of the private sector during the economic reforms of 1978 and after. They led to the establishment of small, privately owned enterprises especially in rural areas or provinces with few State Owned Enterprises.

Large networks help small enterprises to get access to more resources, even in an unstable political and economic surrounding, therefore supporting their flexibility and the ability to adapt.

Wenzhou is often called the 'quintessential capital of China's network Capitalism'. It is also said to have China's largest underground informal banking network. This is held together by a gentleman's code; its economy is reconstituted of local kinship relations and structures, in contrast to most understandings of capitalism as the destruction of kinship by the mobility and fragmentation of wage labor.

Chinese family businesses after the Cultural Revolution

All the political and social commotion only fortified the trust in the family as the only institution that is able to provide stability. The Chinese family proved to be a remarkably adaptive social organism able to respond to a complex set of circumstances.

Chinese family firms are successful because smaller firms have the advantage to react flexible to the requirements of the market and are able to decide quickly. They operate less successfully in capital-intensive sectors where, due to complex production processes, profits can only be made when a certain volume of production is reached.

G today 'traps women and the poor while benefiting fraternal business associations'

G-capitalism is often viewed as more 'humane and thus more efficient than the alienating contractual and individualistic Capitalism of the West' (Yang, 2002). This overlooks the widespread violence with its consequence of inequality, especially for women. Although a notion of mutual support exists, G also has the aim to give more flexibility to few to arrange business structures at the cost of many particularly in small-scale family enterprises, where the factor of cheap labor of kinship is often exploited. They rely on unpaid or low paid family labor, with 'females filling in when and where needed' (Greenhalgh, 1994), slipping 'effortlessly' into their traditional roles. Their work is regarded as a part of their household and family duties, not as careers. G-capitalism thus changes the principles and logic of the individualistic form of capitalism but also facilitates the adaptation of exploitative capitalism as Chinese family firms are based on paternal authority, not individual rights.

G thus exchanged institutionalized dominance with personalized power of people.

It is not necessarily implied that once rational-legal institutions are established, G as more irrational mode of economic activity will fade away. Whether it may coexist in a newly defined institutional and cultural style of modernity.

Conclusion: evidence from a Chinese capitalism

Capitalism is regarded as an age of separation by which not merely separating the pre-modern traditional economy from the modern, capitalistic one is meant, but also the separations in people's cultural environment, the family in particular. In contrast to the view that capitalism takes on the same form globally, specific cultural idiosyncrasies seem to exist which are able to produce a harmonious symbiosis with capitalistic structures, mutually assisting and enhancing the given opportunities. Hence G-capitalism revives traditional institutions, making china a competitive force in the global market. Instead of regarding family business as an outdated mode of production, the Chinese economic success refers on the flexibility and personal networks of privately owned family firms. G is not only a multifaceted and crucial concept for firms to survive on the world market, but is also embedded in most functions of everyday life, being based on mutual trust of long-term relations.

The emergence of niche markets and the need for flexible specialization favored the mostly small-sized Chinese family enterprises. Having no formalized bureaucratic system and capable of connecting over G networks, these firms are both highly flexible and extremely successful low-cost producers. G provides access to far more resources than small family businesses would have without networks and also the necessary reliability for doing business. But this family-based system strongly depends on the exploitation of cheap labor, especially women. Although very successful economically, G-type capitalism is above all a male dominated, patriarchal structure.

Indeed family enterprises will certainly not play an important role in every sector of the economy. Even within the private sector family firms will concentrate on branches where they can outplay their comparative advantage of fast reactions to changes in demand and thus complement the more western style institutions of other sectors.

The interaction between family structures and economic change mutually influence each other. Economic development changes the nature of the family, but so too does the structure of the family influence the modalities of industrialization. It is important to not that 'indigenous economies are not always plowed under with the introduction of Capitalism but may even experience renewal and pose a challenge to capitalist principles, stimulating us to rethink existing critiques of capitalism.'

Family structures have proved to wield a strong influence on capitalism. They do not merely react to the changes within society, with traditional forms forced to subordinate to market forces, but complement capitalism to meet economic demands. G proved to be a powerful tool in its ability to adapt. Personal relations expose comparative efficiency as they are chosen as the most capable instrument for the private sector in China, with the result that 'the growth of export production has taken place outside of the state sector of industry, with foreign funds, rural and township, and privately owned enterprises.

The structure of the Chinese family proved to be very persistent over time and to be able to accommodate diverse economic and political environments while maintaining its core identity. Whether or not family structure are indeed permanently strong enough to withstand economic pressure and escape the 'iron cage' will in the case of china be shown when corporations grow and the demand for capital increases. The failure or success of family structures to adapt again to changing circumstance would then demonstrate the superior (overwhelming) power of capitalism over socio-cultural structures, or the reverse.

Fan, Y., (1995). 'Chinese cultural values and entrepreneurship: A preliminary consideration', paper presented at the *Sixth Endec World Conference on Entrepreneurship*, Shanghai, 7-9 December.

Introduction

Western scholars such as Weber blamed Confucianism for the economic backwardness of China. The economic reform and sustained economic growth in China over the past 15 years, however, has brought Confucianism back into favor and rehabilitated it, once again, as the mainstream Chinese culture. The transformation of China from a central-command system to a market economy has also provided the possibility for entrepreneurship to reemerge and grow in China.

Confucianism

Modern Chinese cultural value system consists of 3 major elements:

1. Traditional culture (encompasses diverse and sometimes competing schools of thought, including C, Taoism and Buddhism)
2. Communist orthodoxy
3. Western values (more recently)

Of the 3 in 1.), C is most influential thought, and forms foundation of the Chinese cultural tradition and still provides the basis for the norms of Chinese interpersonal behavior (Pye, 1972).

C- basically the behavioral or moral doctrine based on teaching of Confucius regarding human relationships, social structures, virtuous behavior and work ethics.

Five constant virtues:

Humanity, righteousness, propriety, wisdom and faithfulness

With five social relationship

The relationships are structured to deliver optimum benefits for both parties. For each relationship, certain behavior principles must be followed to ensure a harmonious society. Confucius perceived that the practice of these principles was a result of li and jen. Li refers to the rule of propriety, which structures interpersonal relationships into harmonious dualities. Individuals have to orient their behavior to those interpersonal relations and not change their role system in the environment. Jen, the core Confucius concept, means ones unselfishness and ability to measure other people's feelings by ones own, or ones own goodness (Waley, 1988). It indicates the virtue of attaining a benevolent relationship between man and his followers. It is this value of human being that distinguishes Chinese society as collectivist in comparison o the individualist western societies Hofstede, 1980).

Chinese Cultural Values

1987, the Chinese Culture Connection (international network of researchers organized by Bond) published a survey of Chinese values in 1987. After consultation with a number of Chinese social scientist, the survey gave a list of 40 key values.

The author here, added an additional 20 values he felt were important but missing from the original list (*See paper, Table 1 for original list of values and additional values of Fan); cultural values are changing over time, but these additional values listed here are more or less constant and have persisted over time. The list does not include those that which are fad. But, Fan here removed on value from the original list, 'solidarity with others' as he says this value has long been abandoned in practice ('Chinese like sand, cannot be held together')

Entrepreneurial Attributes

Chinese entrepreneurs could possess certain unique, different attributes, to those of their western counterparts, it may be assumed that they share some, if not all, of the attributes found in the studies found in Table 2 (*see article, Table 2 for Western entrepreneurial attributes)

The links

When comparing Chinese cultural values to the entrepreneurial attributes by the Western researchers, some values convinced completely or partially with the attributes, and some conflicted and some were missing.

Chinese cultural values were found to be in direct conflict with the following entrepreneurial attributes:

1. Positive response to change (Hornaday)
2. Initiative (Hornaday, Timmons, Gibb)
3. Profit-orientation (Hornaday)
4. High belief in control of one's own life (Gibb)

Discussion

Although some entrepreneurial attributes can be found in the Chinese culture values, the most important ones are either missing or in contradiction. Not surprisingly, Confucian concepts, on which most Chinese values are based, is the value system of a feudal agricultural society (*also mentioned in another article), a far cry from that of a capitalist industrial society. It is easy to explain why key entrepreneurial values such as initiative, creativity and innovation are missing from the vocabulary of Chinese values when it is appreciated that in Confucianism the key value is harmony on order. Taking initiative and innovating will be disruptive to the existing order and regarded as a threat to social harmony.

Another fundamental difference between Chinese cultural values and entrepreneurial attributes lies in the fact that the former are mainly guidelines about moral and social norms, about personal cultivation, bearing little relation with business or profit-making activities. The 'perfect gentleman' envisaged by Confucius is, after all not a successful entrepreneur, but a scholar bureaucrat.

Focusing on governing a state, his teaching strongly rejects making any personal gains and profit (*appears to be variances with researchers about this; another said as long as he is still righteous it's ok to make profit).

Can be concluded that Confucian values are basically not supportive of entrepreneurship. But this does not suggest that Chinese values are totally irrelevant to, or not useful for entrepreneurial development. Those values of interpersonal relations, social (family) orientation, work attitude and personal cultivation hold the key to understanding Chinese organizational structure and human resource management in general, as well as to understanding the business world of overseas Chinese, particularly Chinese family business and the emerging development of entrepreneurship in the mainland China.

Conclusion

Cultural factors do contribute to economic activities, nevertheless it is extremely difficult to find out, empirically, how and to what extent (how to measure). Economic activities are influenced by many factors, culture is only one. When the economies of other Chinese culture areas, Taiwan, HK and Singapore took off in the 1960s and 1970s, mainland China was in the darkness of the cultural revolution and its economy was close to bankruptcy. So culture has its limits and culture alone is insufficient to explain. People may say that the Chinese are born entrepreneurs, but the fact remains that Chinese cultural values are generally against key entrepreneurial attributes.

Further attention needs to be paid on 1.)communist orthodoxy 2.)western values on Chinese culture, (and particularly to interplay all 3 parts). A full explanation can only b obtained by looking at the Chinese culture as a whole system, rather than Confucianism alone.

With the emergence of a free-market economy in china, and the development of an entrepreneurial culture, it is important to recognize that many of the attributes and values which epitomized the entrepreneurs in traditional western capitalist and largely Christian cultural areas may not have universal application and relevance.

Luo, Y., (2008). The changing chinese culture and business behaviour: the perspective of intertwinement between guanxi and corruption. *International Business Review*, 17: 188-193.

Introduction: China is moving toward a demoralised society where guanxi (G) and corruption become increasingly intertwined. The author believes that the Chinese traditions and cultural values that shape business behaviours are most notoriously changing, or more specifically, deteriorating and worrisome, and will, if it continues, fortify societal demoralisation and injustice and attract more illicit business conducts and destructive opportunism. Parallel to China's economic progress seen from the surface of China, is the whole nation's rampant demoralisation. Such demoralisation is exemplified in ubiquitous corruption, widespread fake products, shameless waste of resources, immodest power abuse, inundated crimes, immoral 'entertaining' practices in business, to name a few, which together with shockingly high social injustice and its derived wealth disparity, has made the society virtually ill and ethically apathetic.

In such a demoralised society, it is not surprising that G and corruption are becoming extremely intertwined. The author defines this intertwineability as the extent to which the content, boundary, methods, and consequences of G and corruption are overlapped, duplicated, or twisted. G's public perception is deemed to change from a tradition-embedded culture to a rent-seeking practice involving corruption. Although G is not necessarily an origin or a source of corrupt behaviour, it is a critical facilitator of corruption in a demoralised society. In a demoralised environment, the general principle of guanxi is shifted from favour exchange toward power exchange and gain sharing without obligating formal laws and informal relational norms. When relational norms and Confucian values are considerably eroded, G could bring out further egoism, opportunism, and instrumentality.

Weak and Strong form Intertwineability: (**intertwineability between guanxi and corruption*)

Weak Form Intertwineability:

- refers to the absence or low level of intertwinement between G and corruption
- the weaker the intertwineability, the cleaner the exchange; this situation is often dominated by favour exchanges and centralised around the family circle
- *jia ren* means family members and close relatives.
 - intertwineability is low here

Strong Form Intertwineability:

- exist when G and corruption are extremely mutually involved, a situation in which a G-asker bribes a G-helper in exchange for specific helps that are unavailable through open or legitimate channels
- a web of G implies a limited space or amount of favour that people can draw upon to maintain their trust in and commitment to such an interpersonal relationship
- *wai ren* means outsiders of the family circle
 - intertwineability is highest here, because interactions with such people are superficial and temporary
 - instrumentality or opportunism will work as the rule of G here
 - in a demoralised society, rent-seeking behaviour in *wai ren* guanxi is particularly easy to transmit to corruption (this is more so when the asker and helper meet via an intermediary who is connected to both)
- bureaucratic corruption, essentially a rent-seeking behaviour capitalising on the monopoly power and common people's favour-seeking behaviour, often proceeds via strong form. Here, G plays a vital role in connecting rent-seekers to favour-seekers
- as demoralisation is permeated, loosely defined relational norms are significantly weakened while opportunistic behaviours without the sense of guilt will dominate in the society

What lies between Weak and Strong Form Intertwineability?

- *Shou ren* guanxi: a web of friends, kin or clan-based acquaintances, and distant relatives
 - people are connected by consanguinity or friendship, thus are mutually attached and committed. The concept of *Mianzi* and *Renqing* work as mechanisms by which people develop, maintain, and extend guanxi with others

- this cell exists in a situation where both intertwineability between G (*mostly *wai ren*-based) and corruption and public power abuse are high
- the most detrimental to society's welfare, causing the greatest social costs, market distortion, and system malfunction
- demoralisation fortifies the likelihood of this cell, but this cell's existence further promotes demoralization, leading to a vicious circle and ultimately moral collapse
- not very culturally imbedded, more strongly affected by socially and political climates that prevail in the society
- can be ubiquitous when social and relational norms are disappearing while the formal system is malfunctioning

3. Virus

- this cell exists when G and corruption are highly intertwined but the level of power abuse is relatively low; this implies that *wai ren* G will be unstable, untrustworthy, and opportunism-prone when it intertwines with corruption
- e.g. highly ranked school officials/teachers accepting 'red envelopes' from *wai ren* in exchange for a place for the *wai ren*'s children in the school
- in a demoralised society, relational norms embedded in tradition and in the common understanding of all members in a specific relationship are no longer upheld (eg. dishonouring oral promises, breaking reciprocity, and violating trust-building among *wai ren* will no longer be considered embarrassing and face losing)
- situations in this cell can still harm society because high intertwineability distorts the formal structures, processes and outcomes in the society, and the common mood and practice of violating social and relational norms furthers demoralisation
- to 'remove' the virus, maturations of both formal structures and social norms are required

4. Moth

- represents a situation in which a family centred G member significantly abuses public power for his/her family interests
- this practice arises without engaging in high intertwinement with corruption when the formal structure is underdeveloped and the rule of the law is under-enforced
- virus vs moth: moth is likely to be less rampant and less widespread because a moth will fear the damage of his or her family reputation due to his/her act. If truly a family loyalist, he/she will calculate the gain (from abusing public power) and the risks (injuring family fame and faces and his/her career) for the entire family or inner circle, and will take this risk only when the expected gains are significantly overwhelmed.

There are some general consequences of intertwineability. In a demoralised society, the intertwinement will inevitably result in corrupted G and G-based corruption, (cannot be separated). Corruption has evolved from individual wrongdoings into institutionalised corruptions that often involve a complicated G network between high-ranking officials and private businessmen. In such a demoralised environment (as in China), some legitimate businesses may face increasing pressures to engage in corruption or other illicit activities as well.

Conclusion: Chinese business cultures and behaviours are changing in two opposite directions at the same time: one towards the bright side, manifested in an increasing awareness of competitive advantages and capability building, and the other towards the dark side, testified in the intertwinement between G and corruption. While market liberalisation and competition boosts the bright side, societal democratisation propels the dark side. If continued at today's rate, demoralisation is likely to cause so much social, economic, and political costs that it may largely neutralise gains from economic reforms. Companies that maintain superior corporate credibility, social accommodation, and transparent governance can, and will, continue to succeed in this largest emerging market in the world without involvement with illicit practices.

Fan, Y., (2002). Questioning guanxi: definition, classification and implications. *International Business Review*, 11: 543-561.

Guanxi is seen as a potential solution for most problems of entering and operating in China.

Guanxi in the existing literature: growing number of publications on G from the business perspective focus on 2 main themes: 1.) the business implication and benefits of G; 2.) the possible links between G and some western concepts such as competitive advantage, networking and relationship marketing. The majority of the existing literature on G is concentrated on discussing the benefits of G without defining the concept properly. **Guanxi definitions in existing literature:** majority of all definitions depict G as special relationships, but how does G distinguish itself from other relationship? For this it is vital to have a concise understanding of the nature of G. a multiple definition approach is adopted here:

Guanxi as relationship: How special (or close) the relationship depends on the nature of the relationship (guanxi base). A G-base can be classified into 3 categories:

1. Relationship by birth/blood (largely predetermined)
 - e.g. family; kinships; in-laws
2. Relationship by nature (social base)
 - locality; classmate/teacher; colleague; neighbour; same profession
3. Relationship acquired (social base)
 - acquaintance; knowing same person; friend

Relationship is not Guanxi: the existence of a guanxi base itself does not automatically lead to producing G, or *active* G; relationships, no matter how special do not guarantee the development of G. one can develop and manage only a handful of G (active G not relationship) for specific purposes at a particular time, because developing G costs time, energy and money- all limited resources; G needs to be produced or established by purpose or for a purpose. Also, contrary to the conventional definition, a G process can be started between 2 people, who do not share a G base between them. The G process, compared with the G with a base, may be difficult to start or takes a longer time, but is not uncommon.

Guanxi as Connection: As a connection, G is live, dynamic and working: like an electric circuit which can be connected and switched on. The beauty of G is that through one single G, one can get access to a much wider network of connections. The more G (connection) one has, the more doors (opportunities) are opened for interaction privilege.

Guanxi as Exchange: G is a reciprocal exchange between 2 people for a specific person. What is exchanged is *qinging*, *ganqing*, *renqing*(favour). Although all refer to human feelings, they vary in both nature and intensity: *qingqing* (affection to the loved ones); *ganqing* (emotion to friends); *renqing* (human debt to acquaintances). G exchange may start with 2 parties, but may have more parties later involved in the process. Also, G exchange is contingent in terms of value and time. There is neither a fixed rule nor specific value of what is being exchanged or when the exchange will be completed (it all depends on the circumstance and the relative position of the parties involved). Lastly, whether reciprocity is applied and when the favour is returned depend on the type and nature of G. this is contrary to the literature that emphasises strict reciprocity.

Guanxi as Resource: G is a form of social investment or social capital, an important resource that a person can tap into when there is a need to find help/support. G equity is a set of assets and liabilities linked to a G relationship. Each G transaction (exchange of favour) will add or subtract the balance of favour. There are problems when it comes to G as a kind of organisation resource. 1.) it is not clear if G, an asset owned by an individual can be transferred to the firm; 2.) to be a source of competitive advantages the resource has to be rare and relatively immobile

Guanxi as a Process- a new definition: G is a dynamic process which begins with 2 people but may involve more parties at later stages. A relationship strong or weak, exists all the time; G as a process has a beginning and an end. G can only happen when there is a need for something to be done, which triggers the G process; in a G relationship, one person in most cases, may not have the solution even though they are willing to grant a favour. That person has to search further connections for the solution and this is exactly what G means; a G process involves a series of

activities mostly pre-planned and carried out between two or more parties in the G network. Such activities can include anything from having a meal together, to gift giving or doing a favour; G can occur between 2 persons without any shared attributes (guanxi base).

Summary: the concept of G is complex and multi-faceted. Defining it properly means studying the many faces that make up the whole. G is usually a multi-path process starting with 2 parties. The process will move on involving more parties, and stop only when a solution is finally found or the task is abandoned.

Classification of Guanxi

In most managerial studies, the complexity and variations in G are underestimated and G is discussed in general terms and treated as a single phenomenon. G can be classified into 3 categories: 1. Family; 2. Helper; 3. Business

Family and helper G are similar to what Hwang (1987) terms expressive and instrumental ties. Business G is defined here as the process of finding business (rather than personal) solutions through personal connections. Family G is different from helper and business G in almost all aspects: nature, purpose, function, core values, and what is exchanged. It must be noted however, that G in reality is far more complicated and has no clear cut boundary between the three types. But this classification is useful for analytical purposes as it helps the researcher identify which G is under study. While 'family' G is deeply rooted in the Confucian heritage, helper and business G are mainly a product of the political and socio-economic systems in contemporary China. It can be postulated that family G as a social construct will remain largely unchanged over a long period of time; in contrast, helper and business G will change in their function and importance in the coming years.

A close look at Business Guanxi: it remains largely speculative on how G is related to business and what kind of role G plays in business operations. This is partly because all three types of G are mixed or entwined in reality, so it's very difficult to distinguish them

Guanxi as a personal possession: whether an organisation can use the G asset of its employee is entirely up to the person himself; when the employee leaves the firm, he takes his G with him. If a G relationship is transferred, it can only be passed on from one person to another person, not to the organisation; not every G base/relationship is transferable, because of the existence of entry barriers to certain so-called rare G (i.e. a personal connection so valuable that the owner is reluctant to share it with even a friend); a G process consists of informal social interactions. G deals are often shrouded in secrecy with neither party involved wanting to talk openly about the details. This creates barriers to entry for outsiders. **Business Guanxi: B2B or B2G:** B2B Guanxi: if both parties in the relationship are business persons; B2G Guanxi: if one party is a business person and the other a government official.

Further discussion will be focused on B2G for two reasons: 1) it appears to be the predominant form of business G in China; 2.) the majority of business literature on G discusses the concept in this sense though no distinction is made between B2G and B2B. B2G guanxi represents a way to bypass laws/regulation through personal connections with government officials and to obtain special treatment or scarce resources.

Benefits of G are Exaggerated: In existing literature, the role and benefits of G may have been grossly exaggerated and cannot be substantiated. One of the major benefits that G is believed to offer is obtaining information on government policies, market trends and business opportunities. Another widely cited benefit is that G networks improve efficiency by reducing transaction costs. But, recent empirical studies show the contrary: developing and maintaining G is a time-consuming and expensive endeavour and perceived as a major disadvantage. Under the current market environment in China, G may be an effective option or even the only way to make things work, but it is by no means efficient or cheaper option in the long term. It is largely a futures transaction with unspecified delivery time; also there is no guarantee in terms of the value or quality of the benefit.

There is a paradox in G: does using G reduce uncertainty or increase uncertainty? To many companies, G became such an unbearable burden that they tried very hard to get rid of it, a phenomenon called "Guanxi evasion" (Chen, 1995).

Guanxi as competitive advantage a fallacy: Not all assets have a strategic value. Only strategic asset can create competitive advantages. G does not meet these criteria. G asset may become worthless or even turn into a liability if one part (typically a government official) loses power or is implicated in corruption. Guanxi as a personal asset owned by an individual is mobile and volatile, which makes G advantages difficult to sustain. The so-called interorganisation G does not exist in reality because G by definition can happen only at a personal level. The majority of G relationship is not exclusive and can be copied. As a tactical tool, it can only make a good strategy work. A business strategy solely based on G is naïve and risky. There is little trust or commitment in the B2G guanxi relationship. With the exception of family firms, business G is characterised as utilitarian, tactical and opportunistic.

Guanxi and Corruption: in B2G networks, the government officials hold the most powerful positions. There is no B2G guanxi network that is not tainted by corruption and no corruption without using G. In the mid 1970s, G was used to obtain scarce goods for personal use or to find a better job for one's children through the 'back door'. Today, B2G guanxi is linked to big corruption cases and organised crime. The weakness in the market structure and an inadequate legal system, combined with a lack of transparency due to the absence of political opposition and media scrutiny, have allowed G to contribute greatly in making China top of the league table of the most corrupted countries. Corruption has evolved from individual wrongdoings into institutionalised corruption that often involves a complicated G network between high-ranking officials, businessmen and criminal gangs. It is not uncommon for companies to be forced or even blackmailed into the G-related corruption.

Guanxi and Ethics: the dark side of G is never fully understood. Though family and helper G are generally good and causes no harm to outside parties, B2G guanxi is ethically questionable. Social good is sacrificed for personal gains. G is all about exchanging favours, especially about obtaining 'special treatment' from those in power. Therefore B2G guanxi is inherently corrupt as such a special treatment may be just legal, but is very much questionable in moral and ethical terms. A G action is right from the ethics point of view if there is no third party either known or unknown that is adversely affected as a result of this G exchange.

Guanxi's Role in the Future: For international companies doing business in China, G is an important consideration mainly at the initial stage: introduction, negotiation and set-up of operation. As soon as the business is up to running, other factors will take up their importance. Ultimately it is not G, but high quality products and good marketing strategy that make business success in the Chinese market just as it is true anywhere else.

Most B2G guanxi practices are totally unacceptable even by the current Chinese ethical standard, and remain the target that the authority has been vigorously campaigning to crack down for years. With further progress in the market economy and an emerging democratic civil society, the importance of business G (in its current form) will be gradually reduced rather than increased. The internet in particular has been regarded as the solution that could help develop a more open and transparent market system and reduce the dependence on G middlemen.

Conclusions: although G is found to share certain characteristics with some western concepts such as relationship marketing or networking, there are fundamental differences between them. G is such a unique Chinese social concept based on its cultural values as well as political and socio-economic systems that it cannot be studied alone from economic or financial perspectives (eg, transaction cost theory). The consequences of G must be examined in the context of all stakeholders and at three levels: personal, organisation, and societal. Future research needs to investigate how G works in a business context, the impact of G on organisation behaviour and HR in China, and to study G along with other relation-based systems. In any G research, it is crucial to pay special attention to the conceptualisation of G variables and research design. As G is a typical backstage culture people would be reluctant to share their G secrets with an outsider unless the researcher succeeds in being accepted as an insider.

Dunning, J.H., & Kim, C., (2007). The cultural roots of guanxi: an exploratory study. *The World Economy*, 329-341.

Confucianism: A Confucian influenced society considers individuals as part of a communitarian social system. Chinese societies tend to have informal incentive structures and enforcement mechanisms (North, 2005). Properly differentiated role relationships provide social order and stability; therefore there is a high regard for harmony and hierarchy. People consider themselves to be closely interdependent and strongly embedded in their social context, so interpersonal/interorganisational interactions are valued and sought after. **Guanxi (G):** G emphasises interdependent social connections that are based on Confucian Chinese cultural roots. It refers to the idea of drawing on established connections in order to secure favours in personal relationships. The path to relationships building is different and may vary depending on the culture or over time (in one culture) (Buttery & Wong, 1999).

Traits of Guanxi: (taken by authors from Luo, 2000)

1. G is essentially utilitarian
 - It is purposefully driven by personal interests and bonds 2 people through the exchange of favours rather than through sentiment.
2. G is reciprocal
 - an individuals reputation is tied up with reciprocal obligations, BUT G is not necessarily equally reciprocal (Alston, 1989) → the exchange relationships tend to favour weaker partner
3. G is transferable
 - If A has guanxi with B, and B is friends with C, then B can introduce/recommend A to C (or vice versa)
4. G is highly personal
 - it is established between individuals; its requires trust, honesty, reciprocity, respect and social status (Davies et al., 1995)
5. G is long-term orientated
 - it is reinforced through long-term cultivation; 'stock of relational capital'
6. G is an intangible asset
 - it is maintained by an unspoken commitment; the main enforcement mechanism is that disregarding virtues can seriously damage ones respectability and social standings (lose face)

This study introduced 3 propositions of G in social cultural and institutional contexts:

1. Collectivism and Guanxi
 - Collectivity-orientation is an individual's obligation to pursue the common interest of their community (Hofstede, 1991); the sense of communitarism takes precedence over individual interests. Valued are relationships and harmony, therefore the self in relation to others becomes focus of individual experience. The consequence of such an environment is the importance of face/reputation.
 - Finding: collectivism leads to a strong perception of G
2. Power Distance and Guanxi
 - PD refers to extent to which the less powerful members of society expect/accept that power is distributed unequally; *Wu Lun* relationships are based on complementary obligations and mutual trust, but such relationships and impact are often asymmetrical
 - Finding: Power distance leads to a strong perception of G
3. Formal institutions and Guanxi
 - (North, 1990) it's the content and quality of formal/informal institutions and respective enforcement mechanisms, which ensure the proper functioning of society and the necessary prerequisites for economic growth. ; in societies where formal incentive structures are underdeveloped/ineffective, societies are much likely to rely on informal structures as primary means to ensure certainty and security.

-Finding: G can be a complementary (rather than an alternative) to formal institutions

Conclusion: G is indigenous to Chinese culture as it highly values harmony and hierarchy.

Tan, H.H., & Chee, D., (2005). Understanding interpersonal trust in a confucian-influenced society: an exploratory study. *International Journal of Cross Cultural Management*, 5(2): 197-212.

Confucianism: C is found in various societies and includes a wide range of beliefs, rituals and codes of conduct. Of the 5 cardinal role relations (*Wu Lun*), only the one of friend and friend is an equal relation. *Wu Lun* forms the moral system that sets the norms governing how individuals should act and behave in relation to others in a social hierarchy. 2 dominant feature of social interaction in a Confucian influences setting have emerged from this highly formalistic cultural system of *Wu Lun*:

1. Strong affective underpinnings in social interaction
 - Believes strongly in the intrinsic value of social relationships and mutual obligations
 - Chinese values, attitudes and beliefs are more social orientated (Yan, 1993); *Guanxi* is evidence of this
 - *Guanxi*: based on Chinese societal belief in intrinsic value of relationships and reciprocity of such sentiments; interpersonal trust in Confucian societies are likely to be based on strong emotional elements
 - trust in Confucian societies are based on personal/particularistic ties. Personal trust is necessary when recruiting people or selecting business partners. Affective antecedents such as personal relationships take priority over cognitive antecedents such as professional credentials for the development of trust in Chinese working relationships
 - in Western societies, social relations usually initiated by orientation towards self/interest; this has weaker social and relational underpinnings
 2. Context-based interaction
 - due to the relation centred emphasis, relationship differentiation exist; Chinese have a much stronger tendency to divide people into categories and treat them accordingly
 - implicit; tacit interaction
 - social relations in Confucian societies are conducted with a situation-centred or situationally determined mind-set; to be a good role performer by behaving in accordance with different norms and rules in social interaction as defined by their role (Yang, 1993)
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Yao, X., (2000). An Introduction to Confucianism. Cambridge University Press: Cambridge. (*Library Reference #: 181.112 YAO)

A popular method that is used in presenting the Chinese Confucian tradition is to divide its history into as many periods as there are Chinese dynasties. In this way Confucianism becomes a part of a much more complicated history and the Confucian progress is mixed up with the general changes in political, social, economic, religious and cultural life. On many occasions, C gained strength and positive influence from these changes, yet on other occasions it suffered from the breakdown of social fabric and responded by becoming either more flexible or more dogmatic. Throughout the history of the Chinese dynasties, C changed and adapted itself to new political and social demands, and these changes and adaptations are as important as the teachings of early Confucian masters. The 5 steps/dimensions of C are below. During each step, C gained new characteristics, and the content of C practices were enriched and the range of C teaching was widened.

1. C in formation

- Classical Confucianism; formulate a new philosophy based on old tradition
- 2. C in adaptation
 - adapting doctrines to the need of the empire (Han dynasty)
- 3. C in transformation
 - Neo-Confucianism; inspired by Buddhist philosophy and Daoist spirituality
- 4. C in variation
 - C introduced to East Asian countries and combined with local cultures and traditions
- 5. C in renovation
 - develops in light of other world philosophies, especially European philosophical tradition and Christian spirituality; 'modern new Confucianism'

It is evident that C has been in a continuous state of development; from past, to present and onwards into the future. **Confucianism and its modern relevance:** is an attempt to adapt the western influences now being seen in china and east Asian countries heavily influences by C principles. Weber attempted to explain China's failure by comparing Confucian ethic and Protestant ethic. He found deficiencies in Confucian ethics, which he subsequently deemed the essential elements for the development of capitalism

Zhuang, J., Thomas, S., & Miller, D.I., (2005). Examining culture's effect on whistleblowing and peer reporting. *Business and Society*, 44(4): 462- 486.

This study investigates the effect of culture on ethical decision-making within organisations. This is important due to recent incidences of fraud and growing globalisation of business.

The researchers applied Hofstede's cultural dimensions and Graham's model of principled dissent to form framework. Principled organisational dissent is the effort of individuals in the workplace to protest and/or to change the organisational status quo because of their conscientious objection to current policy or practice (Graham, 1986). The model predicts that the likelihood of reporting unethical behaviour within an organisation increases with both the observers perception of the seriousness of the irregularity and attribution of their personal responsibility to report, and decreased with perceived personal cost.

They investigated the effects of culture (Canadian and Chinese) and type of reporting (whistle-blowing and peer reporting) on reporting unethical acts within organisations. The participants were composed of 77 and 82 final-year accounting student from Canada and China, respectively. They were randomly assigned and authors used regression analysis, 11-point Likert scale, back-translation method.

Limitations: Generalizability questioned as they used convenience samples of students; survey methodology may not invoke real-world pressures faced in actual scenarios

Findings:

1. Chinese are more likely to report unethical acts of peers than Canadians
 - in peer-reporting contexts, Chinese perceive the organisation as their in-group rather than co-workers or supervisors; when the interest of the organisation is in conflict with that of co-workers, loyalty to the organisation is apparently considered more important
2. Chinese appear to report the unethical acts of peers than supervisors
 - Chinese make a distinction between reporting a peer or a supervisors unethical act. The high power distance of Chinese lead employees to be more unwilling to report the unethical acts of supervisors than peers, because the former are seen as inaccessible and entitles to privilege. Organisations operating in china should therefore be aware of the importance of training employees to recognise that unethical acts should be reported regardless of whether the perpetrator is a supervisor.

Collectivism and long-term orientation (not mentioned previously in article) are possible determinants of reporting tendencies

Whitcomb, L.L., Erdener, C.B., & Li, C., (1998). Business ethical values in china and the u.s. *Journal of Business Ethics*, 17(8): 839-852.

Introduction: This paper focuses on business ethical values in china, where the process of institutional transformation has left cultural values in a state of flux. The study uses international business ethics research and comparative management research as its background. This study was based on theories and the assumption that ethical values are universal (judgements concerning what is right and wrong in business situations are expected to be identical cross-culturally). **Methodology:** Chinese participants → 181 undergrad engineering students in an introductory management class with average age of 20 years and little/no work experience. U.S. participants → 60 undergrad students (34 majoring in business, 26 in engineering) with average age of 24 and minimal work experience. A survey was conducted in both countries using 5 business scenarios. Two responses for each scenario was solicited in the form of a 10 point Likert scale, and the reasoning behind their decision. **Results:** statistical analysis of the data showed similarities between the Chinese and American decision choices for 3 out of 5 scenarios. However, the results also reveal significant differences in rationales, even for similar decisions. These choices and rationales were then **discussed** in terms of differences in cultural values and in institutional environments:

1. Cultural Values

- three streams of thought that could impact business ethical values in China, Confucianism, Maoism and the market ethic introduced during the reform period. Confucianism is most influential.
- Confucianism is not a utilitarian philosophy: material profit is viewed as often in direct conflict with 'the dictates of virtue'
- Chinese state essential based on a model of the family
- the economic reform period following the Cultural Revolution entailed sharp criticism of Maoist ideology. New goals for economic productivity required an overhaul of the entire system of incentives, and moral suasion was replaced by material rewards to improve motivation and enterprise performance. Deng Xiaoping's proclamation that 'to get rich is glorious' introduced a new market ethic, where profit is viewed as the primary, overriding goal.
- as people enjoyed more economic freedom and witness individual wealth growing at a very rapid rate among certain groups, this new market ethic, which contrast starkly with both Confucian and Maoist values, has become increasingly prevalent in China.
- In reference to the findings: the Chinese responses reflect a mixed influence of traditional Confucian values and the market ethic. Confucian ethical tradition still appears to influence Chinese decisions in morally complex situations
- BUT: there is also clear evidence of a new market orientation. Economic reforms appear to be furthering the development of a strong market ethic in china. Certain actions seem to become acceptable in china especially when they can be defended on the basis of enterprise profitability, rather than individual self-interest.

2. Institutional Environment

- decision making differences between china and the US that surfaced in the study also reflect institutional differences as well as differences in values; Institutional differences seemed to influence the response to most of the vignettes/scenarios.

Conclusion: after first experiencing a thorough denunciation of Confucianism followed by an overturn of Maoist values, the value system of the Chinese people (in China) has gone through a continual process

of remaking. The gradual shift throughout the 1908s from central planning to a market system has affected not just the way in which resources are allocated, but also Chinese values and the way in which economic decisions are legitimised. Compared to US respondents, Chinese are at least equally, and sometime more motivated by profit. Although the survey results do not establish a direct link between ethical decision making and the institutional environment, the differences in the results, particularly those on issues such as bribery, environmental protection and product safety, are consistent with the institutional differences between the US and China. China provides a unique opportunity to study how ethical values change when the institutional environment changes.

Chai, S.-K., & Rhee, M., (2009). Confucian capitalism and the paradox of closure and structural holes in East Asian firms. *Management and Organisation Review*, 6(1): 5-29.

There is a debate about the relative advantages of network closure versus structural holes in the generation of social capital. Also, these advantages differ across cultures, particularly between East Asia and the west. The authors attempt to provide a solution by integrating a culture-embedded rational model of action into the social network model of structure. This is done to re-examine the closure vs. structural hole debate, and to tie it to the literature on Confucian capitalism and the 'east Asian model' of the firm. This integrated approach allows systematic analyses of the relationships between culture and behaviour in networks and explains why closure has been a more powerful source of productivity in East Asia than the west.

Limitations: east Asian model concept is designed primarily to examine commonalities within east Asia and contrast with the west, so it glosses over important inter-country differences within the east Asian region.

The authors have developed 5 propositions via examined social network theorists.

Hsu, C. L., (2005). Capitalism without contracts versus capitalists without capitalism: comparing the influence of Chinese guanxi and Russian blat on marketization. *Communist and Post-Communist Studies*, 38: 309-327.

Explores the role of favour exchange practices on investment and entrepreneurship in China (Guanxi) and Russia (Blat). China → capitalism without contracts; Russia → capitalists without capitalism

Similarities between guanxi and blat: both were practices which arose to negotiate systemic scarcity and unresponsive institutions; both involved obtaining scarce goods and services through 'friends' by exchanging 'gifts' and favours; in communist era, practicing these were essential for surviving everyday life. **Differences between guanxi and blat:** they evolved from different historical roots; roots of Guanxi reach back to pre-revolutionary Confucian moral and political system and Blat was a Soviet invention; Blat was based on a different conception of friendship than Chinese guanxi practice. In china, guanxi always existed between two people in a dyadic relationship, reflecting the practices Confucian roots. In Russia, friendship was understood as an 'affiliation with a particular circle of trusted people'. This means that within the circles, blat was easier to do, while setting up blat transactions with 'useful people' took more effort. In China, friendship was part of a larger guanxi system, while in the soviet union, blat was a subset of friendship. **The relationships between guanxi practice and capitalism: Does guanxi practice impede marketization?:** some scholars have focused on the negative effects of G, arguing that it encourages corruption or impedes social actors' ability to make genuinely rational merit based decisions. By encouraging the combination of the public with the private, and of business with gifts, guanxi practice may devolve into rent seeking and bribery (Wu, 2001). G practice may lead Chinese proprietors to hire according to personalistic considerations and not seeking out the best candidate (Hui & Graen, 1997). Managers may select their suppliers and clients on the basis of reciprocity, rather than rational, economic criteria (Guthrie, 1999). Although there is a grain of truth in these contentions, they

are flawed by inaccurate understanding of G practice. Guanxi practice in the PRC is 'modularised', not confined to kinship groups and guanxi bases (Fukuyama., 1995). When it comes to corruption, corruption was not only officially condemned by a relatively strong state, but socially censored as a violation of a moral guanxi practice. G practice and corruption may have looked similar to westerners, but Chinese people were very clear about the difference between a guanxi transaction and a bribe (*maybe as there are more western influences in china, the younger Chinese do not see a difference between using G and a bribe?). a bribe violated the central tenets of G: it was an isolated, discrete transaction where the desire for instrumental gain undermined the possibility for an emotionally close relationship. **Confucian Capitalism:** G has enabled the development of an alternative form of capitalism which may be just as viable as the bureaucratic, rationalised capitalism of the west (Hamilton, 200; Redding, 1990). The cultural characteristics of Chinese Confucianism have determined the form of Chinese business, creating a Confucian capitalism. The cultural emphasis on the patriarchal family leads to the popularity of entrepreneurship, since starting a small business is one way that a family unit can be economically self-sufficient and family members can avoid working for (and with) strangers. Cultural emphasis on personalistic relationship means that Chinese business connections and deals are built on guanxi ties, 'human feeling' (renqing), and trust (xinyong) rather than legal contracts. Confucian capitalist practices, including G, created firms which are small and nimble, an asset in the age of 'flexible accumulation' (Harvey, 1990) when large bureaucracy-encumbered western-type businesses may not be able to keep up with the lightning pace and mercurial shifts of the global market (Hamilton, 2000). BUT the difficulty with applying Confucian capitalism scholarship to the PRC in the 1990s is the G practice clearly operated differently on the mainland than it did elsewhere in greater china. **Conclusion:** Guanxi allowed people to create extensive networks, to build trust and to reach out. It was a tool which could be used to solicit investment, raise capital, find partners, suppliers, clients, and employees and to build sufficient trust for business transactions- capitalist without contracts. In contrast, Russian narrower circles of friendship made it difficult for ordinary people to take advantage of the benefits of the market,. Especially while elites exploited resources for their personal consumption. Russia suffered the depredations of capitalism without capitalism. **Limitations:** it appears the author based his Chinese-view of his paper on previous research he conducted in Harbin, China. He used existing literature for his Russian views, not his own research. Bias may be evident.

O'Keefe, H., & O'Keefe, W.M., (1997). Chinese and western behavioural differences: understanding the gaps. *International Journal of Social Economics*, 24: 190-196.

This paper explores the nature and roots of selected conflicts between Chinese and westerners who attempt to work together in a joint venture. Informal interviews were conducted with western executives. Four factors were chosen to explore nature/roots of conflicts experienced by the Chinese when attempting to work with westerners:

1. Communication practices
 - communication process tends to be one way, with the Chinese co-workers responding to the initiatives of others; Chinese tend to be passive and polite, maintain a friendly demeanour. Westerners find the Chinese to be evasive and misleading in their communications. Western communication practices encourage them to be more articulate, direct and to the point. The Chinese find the foreigners to be offensive in their directness
2. Initiative taking
 - Chinese tend to avoid taking initiative in daily operations of JV as all situations are viewed as being complex and full of uncertainty, bringing threats to stability and harmony. They view themselves as actively maintaining harmony but westerners may see them as being inattentive and avoiding responsibility. Westerners view their counterparts as behaving irresponsibly because they avoid doing what 'obviously' needs to be done; they seem themselves as proactive, acting independently and thinking ahead. The Chinese view

initiative taking as unnecessarily disrupting the harmony of the group by intentionally changing the status quo. This is arrogant, egotistical behaviour, which shows disrespect for the group and 'reeks' of individualism.

3. Respect for authority

- Chinese as a rule fulfil their obligations to authority by being obedient. They emphasise vertical relationships and would not risk offending authority by cutting horizontally across functional or business lines to resolve an issue. They see themselves as following the correct protocol and correct behaviour. Westerners see their Chinese co-workers as being over independent on authority figures and unable to behave as individuals. Chinese view the westerners actions as being rude, impolite, lacking respect for authority.

4. Treatment of information

- Chinese are known as great compliers of statistics and other data, which for the most part are accepted uncritically as valid. They see themselves as approaching information analysis in a realistic way. Westerners see their counterparts as uncritically accepting information as valid. They do not attempt independent verification.

Concluding remarks: potential success of economic ventures can be increased if each part makes a concerted effort to understand better the values and behavioural expectations of the other. Since westerners are seeking business ventures in china, time spent learning about the Confucian roots of Chinese behaviour will help them to avoid drawing misconceived conclusions regarding the behaviours of their colleagues. This can help minimise conflict. The Chinese also need to learn more about western business behaviour, since they are increasingly playing a central role in the world economy. **Limitation:** this article does not have a methodological section. Further, based on information they provided, they did not interview the Chinese, though based on their article, they appear to understand the nature and roots of conflict from both sides.

Yin, L.C., (2003). Do traditional values still exist in modern Chinese societies? The case of Singapore and china. *Asia Europe Journal*, 1: 43-59.

This study was based on surveys on values conducted in China and Singapore by other researchers. As Confucianism becomes official, it is also being re-interpreted and its original content changed to some extent. Thus, while it is still called Confucianism, it is not longer the pristine, classical Confucianism that we can trace. Much of the original Confucian core values are now manifested differently in their essence and depth, having undergone secularisation and localisation. Some of the values commonly thought to be 'Confucian' may be traceable to Confucianism in one way or another, but in reality they are influenced by the doctrines of Buddhism, Taoism, popular religion and foreign thought, such that they differ very much from what is recorded in the Classics. In china, although there remains some continuity with the past, primarily in family relations, the lifestyle and values in china today see a departure from traditional Chinese culture. The erosion of traditional values raises a basic question on the viability of contemporary Chinese culture. What the people still widely accept and preserve are the basic tenets of individual moral conduct and interpersonal relations in Confucianism. These do not come from any classical tradition, but mainly from implicit influence from within the family and subtly internalised moral values.

Buttery, A.E., & Leung, T.K.P., (1998). The difference between Chinese and western negotiations. *European Journal of Marketing*, 32(3): 374-389.

Guanxi (G) is the foundation of Chinese business negotiations and is a characteristic of Chinese culture. This paper describes Hofstede and Bonds 4 dimensions, in addition to another that Hofstede added in 1991. This dimensions is the long-term vs. short-term orientation. The PRC is long-term orientated.

Guanxi:

- is not about getting through one negotiation (Pye, 1986)
- represents a system that was essential to the survival and prosperity of groups of people within the Chinese society who did not expect anything or did not get anything from the political system; as an essential survival system, it is unlikely to evaporate over night
- in essence, the Chinese have relied on G to act as their 'currency' to perform practical roles
- helps maintain harmony in the Chinese system of doing things and this is where it ties in closely with Confucian thought, eve though G I not a word which was used by Confucius
- the idea of G is associated with renqing and mianzi

The foundation of Confucian thought is harmony, hierarchy, development of moral potential, and kinship. These 4 tents of Confucian values drive 3 interpersonal norms:

1. Basic communication patters
2. Social obligation
3. Relationships amongst different life domains

Harmony and Hierarchy: WuLun **Development of moral potential and kinship:** Mianzi is the concept of giving 'face' . this translates into giving ones respect. It is important to protect ones face, but it is perhaps even more important to give face to others. In short it involves a reciprocal relationship of respect and courtesy to and from your counterparts. To 'give face' means to praise someone's reputation in a society. To get someone to 'lose face' is to denounce status and reputation and indicates a loss of confidence and a lack of trust. Closely associated with the giving of face is the performing of favours and giving of gifts which in China is called '*renqing*'. Foreign negotiators need to take into account the format of Chinese culture which requires a knowledge of G, renqing, and mianzi, and also an understanding of why negotiations could be slow. **Summary/Conclusions:** In western countries the process of negotiations is seen as a business deal and is largely divorced from other aspects of society and from the negotiators personal and social lives. Negotiations are largely technical processes with technical outcomes. In china, relationships are currently much more important than transactions and they pay little store to formal contracts, falling back rather more on friendship and trust as the bass for doing business. This leads to a lengthy negotiation process which encompasses social as well as business parameters. In the case of china is would be misleading to see the negotiation process as a pure economic exchange process, rather it is more of a process of matching both the technical aspects of the product and service to the requirements of the buyer but simultaneously matching the friendship ad trust generation aspects of doing business.

Buttery, A.E., & Wong, Y.H., (1999)The development of a guanxi framework. *Marketing Intelligence & Planning*, 17(3): 147- 154.

The purpose of this paper is to analyse relationships in the Chinese culture through a study of the Guanxi (G) model (Wong, 1997). Cultural differences are highlighted by comparing the western approach to the study of relationships with the Chinese approach. In western cultures, the main thrust of analysis of relationship has come from transaction cost theory, social exchange theory and interaction theory. The first two a limited as they are static in nature (relationship building is dynamic). Interaction theory has brought a dynamic element. The remainder of the paper focuses on the empirical study of Wong (1997) that has led to the identification of the key elements of the G model. **The Key Elements of the Guanxi Model:** The art of G "lies in the skilful mobilization of moral and cultural imperatives, such as obligation and reciprocity in pursuit of both diffused social ends and calculated instrumental ends" (Yang, 1986). In the PRC, the people found alternatives to personal wealth and security in the form of G

which may be described as symbolic capital and mutual obligation and trust, and are alternatives to contracts and legal rights. Wong (1997) carried out a questionnaire in HK and obtained 272 useable responses. The results provided information on the time and effort Chinese are willing to invest building a relationships and on the attributes they consider most important in a business relationship. The set of findings demonstrates the tenacity of the Chinese in building relationships and tends to support Hofstede's results which show how important the long-term is to the Chinese (the percentages of the results reflect the minimum effort required to build a relationship). **How Guanxi is Developed:** empirical work has identified the key constructs of G are adaptation, dependence, favour and trust. What remains is the need to identify the process of building and strengthening G.

Fencer → Fiancé → Old friend

The **fencer stage** (analogous to sword fencer) is used by the two outsiders if they wish to build a relationship with each other. The natural progression from fencer to **fiancé** (analogous with potential marriage partnership) is when the relationship is leading towards a strong friendship and someone with whom one can do business and trust to mutually help each other in many other situations too. At this stage the friendship is not entirely proven and so it is seen as a new friend situation, a basis on which business details can be struck. A major development here is that one has moved to bring the former 'outsider' into one's close network of friends 'insider'. The **final stage of 'old friend'** indicates they are now clearly an insider. An old friend is one who has proved himself/herself over time as being loyal and trustworthy, it is someone in whom one can confide and there is no real reason for legal contracts as one's word is one's bond. **Developing and maintaining the G relationship:** it is possible to express the individual case of G in the business context as a merging of the mind and heart of the business partners. In Chinese culture, it is natural to be initially defensive towards anyone including foreigners, the process of breaking down this defensive is brought about by trying to understand the new found friend (empathy) and the giving and accepting of 'face' which is giving one's respect and recognising the status and moral reputation of one's friend (*Mianzi*). Closely associated with *Mianzi* is *renqing* which is the preforming of favours and giving of gifts. The process of breaking down natural defences is intuitive and is therefore seen rather more a matter of the 'heart' than of the 'mind'. **The dynamics of the G process:** the foundation of the process of G is the 4 key constructs of dependence, adaptation, trust and favour. G is the building of a relationship, which in the business context, may start from two people wishing to transact business through various stages to the establishment of an 'old friend' status when business can be transacted quickly and flexibly on the basis of trust. The authors have described this G process in terms of a business relationship but it should be considered much wider in scope than this because there is no such thing as 'business guanxi', only 'guanxi' which is an all embracing relationship based on trust and bonding.

Tu, W., (2000). Implications of the rise of "Confucian" east Asia. *Daedalus*, 129(1): 195- 218.

The article discussed Confucianism in relation to (and its failed attempted towards) the Enlightenment. The deliberate choice of the May Fourth (1919) intellectuals to engage in an iconoclastic attack on the rich cultural resources of the Confucian tradition and to embark on a materialist path to save the nation was predicated on a rational calculation: the shortcut to modernisation was wholesale Westernisation. The demand to effective action and demonstrable results was so compelling that there was little room for reflection, let alone meditative thinking. As a consequence, respect for the life of the mind was marginalised. The Chinese westernisers who unabashedly identified themselves as modernisers were committed political activists with a passion to save China from the dark history of backwardness, its own feudal past. They unquestioningly embraced the enlightenment mentality as the only road to ensure China's survival. It is unfortunate that they failed to realise the transformative potential of the Confucian tradition.

The historical impetus for the modernising process in western Europe and north America is not necessarily a structural component of modernity. Surely enlightenment values such as instrumental rationality, liberty, rights-consciousness, due process of law, privacy, and individualism are all universalizable modern values, but, as the Confucian example suggests, 'Asian values' such as sympathy, distributive justice, duty-consciousness, ritual, public-spiritedness, and group orientation are also universalisable modern values.

What east Asian modernity signifies is pluralism rather than alternative monism. The success of Confucian east Asia in becoming fully modernised without being thoroughly westernised clearly indicates that modernisation may assume different cultural forms.

Although all traditions have fundamentally restructured as a result of modernisation, they continue to shape modernity in a variety of directions and, in a substantial way, define the meaning of being modern. If that is accepted, what happens to the claim that modernity must be conceived in terms of three inseparable dimensions: market economy, democratic policy, and individualism? The Confucian faith in the betterment of the human condition through self-effort, commitment to family as the basic unit of society and to family ethics as the foundation of social stability, trust in the intrinsic value of moral education, self reliance, work, mutual aid and a sense of an organic unity with an ever-extending network of relationships provides rich cultural resources for east Asian democracies to develop their own distinctive styles. While the need for east Asian societies to free themselves from nepotism, authoritarianism, and male chauvinism is obvious, democracy with Confucian characteristics is not only imaginable but may also be practicable.

Those who are attuned to the Confucian message inevitably discover that Confucian personality ideals (the authentic person, the worth, or the sage) can be realised more fully in a liberal democratic society than in either a traditional imperial dictatorship or a modern authoritarian regime. They are also critically aware that Confucian ethics must creatively transform itself in light of enlightenment values before it can serve as an effective critique of the excessive individualism, pernicious competitiveness, and vicious litigiousness of the modern west.

If Confucian ethics can no longer provide guidance for action in Chinese society and if Confucian values are neither relevant nor crucial to Chinese economic behaviour, there is an urgent need to inquire what ethical thinking can provide a strong enough moral basis for the Chinese to take an active part in the global stewardship so essential to world peace. The matter is immensely complicated by the decision of the political leadership of the PRC to envision modernisation exclusively in terms of science, technology, economic development, and military hardware. The pressure to define the good life in western material terms has seriously affected government, labour, the military, the professions, and the academic community.

As we broaden our scope to include cultural china, a second migration, as contrasted with the first migration of millions of Chinese from the Guangdong and Fujian provinces to southeast Asia in the 19th century, is underway. In the last two decades, Chinese with substantial financial resources in southeast Asia, hk and Taiwan have begun to emigrate to Australia, Canada, and the US for reasons of political security, economic opportunity, cultural expression, or education for their children.

Confucian ethics so conceived is not a simple representation of classical Confucian or neo-Confucian teaching. The term Confucian can be used as an adjective to describe some Buddhists, Daoists, Christians, and Muslims in east Asia, or for that matter in other parts of the world. It is a new way of conceptualising the form of life, the habits of the heart, or the social praxis of those societies that have been under the influence of Confucian education for centuries.

The rise of Confucian east Asia suggests that traditions are present as active agents in modernity and by implication, the modernising process can assume different cultural forms.

Fang, T., (2003). A critique of hofstede's fifth national culture dimension. *International Journal of Cross Cultural Management*, 3(3): 347- 368.

The Confucian Dynamism dimension, also known as Hofstede's fifth national culture dimension is now referred to as 'long-term orientation'.

Critiques of this dimension:

- Hofstede made a great leap forward in his interpretation of the concept of transforming it into a national culture dimension of 'long-term vs. short-term orientation'.
- Furthermore it is considered a Confucian dimension as Hofstede frequently notes that the 4th dimension is an Oriental contribution to his dimensional theory of culture that is not registered in the western mind.
- Also, Chen (2001, 2002) looked at the Chinese business psyche and revealed that short-term orientation, such as opportunity driven behaviours and heavy reliance on cash transactions to expedite business deals has been a salient Chinese trait throughout history.
- Hofstede (1991) appeared to interpret 'face' as a negative value; but a study by Ting-Toomey (1988) indicated that face can be both positive and negative
- the list of the 40 Chinese values as created by Bond (and Chinese social scientists) is rich in redundancies, many of which either mean the same thing or are highly interrelated.
- closer look at the list of 40, reveals a number of core Chinese values are not included like Guanxi.
- though Fan (2000) added 31 other values to this list, even this extended list does not include all the values.
- the 40 values on which Hofstede's 5th dimension is empirically based rests too much strongly on Confucianism; Chinese beliefs and values come from a combination of three schools of philosophical thought: Confucianism, Taoism and Buddhism (Redding, 1990).
- the use of college students in Hofstede's study is also questionable; are they the most reliable representatives of the average cultural values held by people in their culture at large?
- It is unfair to hypothesize the 'cash value of Confucian values'. Tu (1984) maintains that moral development rather than economic interest is intrinsic to Confucian traditions, and that 'there is no causal relationship' between the Confucian ethic and the east Asian entrepreneurial spirit.
- CD divided interrelated values into 2 opposing poles. Values labelled as short term orientated or negative may not be necessarily so, and values labelled as long term orientated or positive may not necessarily be so either.
- = inaccurate English translation has been found in some values in the CVS, which may have in part resulted in misinterpretations in the cross cultural surveys and eventual meaningless findings.
- compared with the first four dimensions, the fifth does not result from the same techniques of factor analysis as used earlier to validate the results; not the same sampling as the IBM employees.

Davies, H., Leung, T.K.P., Luk, S.T.K., & Wong, Y., (1995). The benefits of 'guanxi': the value of relationships in developing the Chinese market. *Industrial Marketing Management*, 24: 207-214.

Despite the abundant opportunities in the China market, doing business in China can be more difficult than anticipated by many foreign businessmen. The study used data gathered from HK Chinese executives experienced in Chinese business practices in order to identify their perceptions of the nature

of the benefits that arise from G and their relative importance. The survey took the form of a questionnaire (in English and Chinese), and responses provided 150 usable questionnaires. Results indicated an underlying structure of four factors: procurement, information, bureaucracy, and transaction smoothing.

According to the HK Chinese insiders surveyed in the study, the most important benefits arise in respect of the smooth running of routine business operations, in securing information about government policies, and in securing administrative approvals.

Further work needs to be done in order to control the context in which G is investigated.

Parnell, M.F., (2005). Chinese business guanxi: an organisation or non-organisation? *Journal of Organisational Transformation and Social Change*, 2(1): 29-47.

G is, by definition, an informal, 'unofficial' phenomenon, making empirical research in this field problematic. This article explores (in the business context), the relationship between modern organisation theory and very the complex Chinese social phenomenon, G. The essence of G lies in its unofficial informality, becoming explicit and formalised would destroy the capacity to achieve objectives in an uncertain world, achievement being based on confidentiality and mutual benefit which is not publicized. China possesses very much a transitional economy/society with many uncertainties, particularly of a legal nature, so paradoxically, G are becoming more vital in the short to medium term as a method of securing continuity and relative stability, a familiar orientation in an unfamiliar environment. The deep historical roots of G are not sufficient evidence of its current relevance. G is by no means a new concept nor is it redundant in 21st century china. An all-embracing networking 'system' appears to be inescapable and a very immediate social reality for all Chinese people. G involves cultivating personal relationships through the exchange of favours and gifts for the purpose of obtaining goods and services, developing networks of mutual dependence and creating a sense of obligation and indebtedness (Standifird and Marshall, 2000). G requires a foundation- the development of a G web depends on whether particular individuals possess certain attributes in common, e.g. clanships, friendships, schoolmates, teachers and students: these are what constitute the G base.

There are 3 basic kinds of G relationships (Lee et al., 2001): those conveying an expressive tie, a mixed tie, and an instrumental tie. Expressive ties are permanent and stable relationships based on egalitarian norms; they're very personalised and affective, being fixed and limited in score and primarily involving family and relatives. Instrumental ties are unstable and temporary, being based on the norm of equity and are impersonal and utilitarian. Mixed ties are in-between and are relatively stable and are personal and affective relationships between exchange partners. The boundaries between the three are open and fluid, but entail different levels of personal commitment. Commitment both entails and reflects obligation.

Face and Favour:

How much face (*mianzi*) an individual has depends partly on their G-network. Face is the 'Siamese twin' of favour (*renqing*). The work *renqing* indicates individuals emotional responses to daily life and means a resources allocated to another person as a gift and also... a set of social norms to guide an individual to get along with other people. Leung and Wong suggest that reciprocity based on *renqing* is the real dynamic behind the practice of G. this is because *Renqing* is a complex amalgam of emotional involvement, favour, mutual obligation (along with face: reputation and social status), and mutual support and protection, all of which together are characterised by balance and harmony.

Trust is a precondition for the establishment of successful and enduring G (Tung & Worm, 2001). It is creating and consolidating the triangularity of *mianzi*, *renqing*, and *ganqing*, which generates the

trust which makes the informal, unofficial phenomenon of G tangible and lasting. G is a sociocultural artefact which in both reasoning and interpersonal exchange relies much more on intuitive thought and action, where knowledge is tacit and coherence and consistency implicit, heart over mind, non-rational rather than irrational.

China is modernising, (being transformed) with and by many new institutions and organisations. Indeed the country clearly possesses many large, formal organisation, but the primary loyalty of an individual Chinese is to a particular network or plurality thereof. Neither G in general nor G networks in particular are likely to be replaced: it is a matter of new synthesis, and new cultural symbiosis, consistent with china's historical traditions and current socio-political realities, a new variation on the enduring themes of yin and yang.

Hwang, K.-K., (1990). Modernisation of the Chinese family business. *International Journal of Psychology*, 25: 593-618.

Hwang, (1987) proposed a model of social exchange behaviour to explain the economic success of the Chinese. The model presupposed that under the influence of Confucian ethics, relationships are generally classified into 3 categories:

1. Affective ties – steady, long lasting social relationship; can use as instrument to obtain social resources
2. Mixed ties – interpersonal relationship one has with acquaintances outside the family (e.g. relatives, neighbours, teachers, classmates, colleagues); can also be used as instrument by an individuals to gain needed social resources
3. Instrumental ties – an individuals motive to interact with others; uses this relationship to achieve their aims or goals, rather than establish long-lasting relationship with the other.

The modernisation of the West evolved step by step from the inner part of its cultural structure, while the modernisation of Eastern society proceeded the other way around, i.e. it was imported from outside, and penetrated from the top to the bottom of society.

Though family businesses are important in China, they are just one kind of organisation in contemporary Chinese society. In the Chinese society, there exist many other kinds of political, economic, educational and social organisation.

Yang, Z., & Wang, C.L., (2011). Guanxi as a governance mechanism in business markets: its characteristics, relevant theories, and future research directions. *Industrial Marketing Management*, 40: 492-495.

- Guanxi is positively influenced by both decision-making uncertainty and perceived similarity; it is negatively affected by opportunism (Lee et al., 2001).

- When compared to the western marketing concept, Guanxi has 3 distinct characteristics:

1. more personal than impersonal; mainly works on basis of friendship
2. incorporate notion of *ganqing* (affective attachment), which is often a measure of the level of emotional commitment and closeness of the parties involved
3. centred more on a particularistic, (not universalistic) nature in that it is highly network-specific and thus normally does not generalise to members of outside social networks.

- strength of G is often determined by feelings and emotional bonds among 2 parties

- to develop G is to form the basis for a gradual transition from being considered an outsider, as opposed to an insider, so that a long-term close relationship can be established and developed.

- as a social phenomenon, G is often defined as personal connections, but in actuality the fundamental concepts behind G are more detailed and broadly consist of: *renqing* and *mianzi*,

- *Renqing* involves exchanges of favours, both emotional and economical, following certain social norms and behavioural rules
- another key element of G when it comes to business is *li*. This is partially reflected by reciprocity
- though G often relies on personal connections, interpersonal relations are convertible, consciously or unconsciously, to organisational connections, depending on organisational culture structure, formality and institutional arrangements.
- relevant Western theories related to G are: social capital theory, social exchange theory, sense making theory and institutional theory. Though these theories may help explain the functions of G as a governance mechanism, future researchers are tasked with integrating them all into one grand theory. The author named this theory to be 'Guanxi-based governance theory'.

Future Research on Guanxi:

- must be cross-disciplinary and systematic
- more studies need to explore both proactive and passive approaches in managing dynamic relationships between individual and organisation Guanxi
- few studies have been conducted to reveal how firms initiate, build and use G networks

Studies:

1. Shi, Shi, Chan, Liu and Fam: investigates the role of *renqing* as an underlying mechanism that explains the cultivation and maintenance of G. The study was based on a survey of car insurance policy holders in China. The authors suggest that *renqing* explains a high proportion of the variance in levels of customer relationship commitment.
2. Shou, Guo Zhang, & S: examine how a trusting relationship influences firm boundary agents' G behaviour, which involves saving face and affect investment. The study showed that competence trust and goodwill are all important factors in promoting ideal G behaviour.
3. Barnes, Yen & Zhou: propose *ganqing* (an affective element), *Renqing* (reciprocation and favour), and *Xinren* (personal trust), are three facets of G that determine cooperation and coordination, which in turn lead to improved performance.
4. Chun: investigated role of G in the relationship between market orientation and business performance. He found that business G has both positive and negative effects on business performance, while political G has both positive and negative moderation effect on financial performance and a negative influence on strategic performance.
5. Nie, Zhong, Zhou, Jiang, & Wang: investigate negative side of G and how G functions adversely impacting firm performance. As G grows, its negative effect leads to erosion of firm performance
6. Li & Sheng: adopt contingency approach and found that while managerial ties are more salient with regard to enhancing performance for more entrepreneurial-oriented and younger firms, they fail to provide performance benefits to firms when high demand uncertainty exists or when the level of technological turbulence is high.
7. Cheng & Wu: used social capital theory and their results indicated that G with government officials is positively associated with resource-bridging capability, but not with adaptive capability. G with business partners contributed to both resource-bridging and adaptive capability. Also, technological turbulence weakens the impact of G with government officials on capability building, but strengthens the effect of G with business partners on the establishment of corporate capabilities.

Zhang, Y., & Si, C., (2008). The impacts of external factors on the growth of Chinese entrepreneurial enterprises: an empirical study. *Journal of Small Business and Enterprise Development*. 15(4): 689-703.

China overtook the UK as the world's 2nd biggest destination for VC investments in 2006. Given the complex socio-economic and political factors involved in EEs development in China, it is interesting to identify and explain what factors impact on entrepreneurship in Chinese society.

A linear regression model was developed that comprised of 3 types of organisations (government, university and R&D institute, financial investor or lender) and 3 kinds of environmental factors (cultural environment, institutional environment, geography), which greatly influence Chinese venture enterprise growth. This model was validated through 91 responses from a survey carried out in 4 provinces/cities in China. Overall the results show that a good financial support and a good entrepreneurial culture results in good growth. They also showed that governmental preferential policy did not effectively drive the EEs growth and too close relationship with government was not useful for EEs for the improvement of EEs growth and competitive power. Additionally, based on the results, university and R&D institutes had no significant correlation with the EEs growth.

Implications of findings: Naturally, Chinese EE needs to face a culture of *guanxi*, that is dealing with various relationships a firm which is good at maintaining the relationship with government departments often could evade from competition with the rival for they can get benefit from governmental support, such as subsidy and preferential tax, which would cripple their own competitive power. By contrast, the firm possessing of excellent competitive power always devotes its mind to improve its internal level of management and technology and struggle by themselves and neglects to get support from public policy. So the strategy and means of governmental support from EEs needs to be adjusted, a reasonable evaluation system for SMEs must be built up so as to identify and support the potential firm and drive the firms to improve their intrinsic capability and strive in the market to get more development room. Also the financial market and infrastructure must be strengthened to offer EEs with more financial source. Free entrepreneurship education about how to deal with the investor relationship should be provided by government to improve the capability and skill of entrepreneurs in communication regarding VC and get more funds from all possible channels. Lastly, Chinese legal and institutional environment for EE development is not very favourable. A reputation and credit system based on social network may be helpful.

Limitations: Other key factors not considered here include competition and industrial chain, both of which are important for EE development. Also the sample here is from eastern China, so generalisations should be done with caution.

Roper, J., & Weymes, E., (2007). Reinstating the collective: a Confucian approach to well-being and social capital development in a globalised economy. *The Journal of Corporate Citizenship*, 26: 135-144.

The paper draws together 3 temporally parallel phenomena:

1. a loss of legitimacy of western business practices which emphasise individual competition in a market-based society
2. an increase in the demand for corporate social responsibility and rebuilding of social capital
3. the emergence of Chinese multinational corporations which retain the ancient values of Confucianism

In the past ten years there have been several high-profile failures of western businesses. Examples include failure to address the social and political concerns of stakeholders and to operate within the accepted bounds of ethical and legal practice (E.G. Shell, Enron). Concurrent with these failures, has been an increasing acceptance of and interest in the social responsibility/sustainability movement within the corporate sector. Another parallel phenomenon is the rapid development of new global economic powers such as India, and particularly China. All these concurrent events and trends

suggest it would be timely to examine them holistically. The authors suggest that modern Confucianism, through its emphasis on relationships between employers, employees and communities, has clear relevance for the current western imperative of stakeholder engagement, and more broadly, for the need to redevelop social capital in a market driven world. This paper considers the commonalities between Confucian values, employee and social well-being, and social capital, and seek to identify those elements of Confucianism which might serve to temper the failures of western-style businesses and promote a more collective rather than self-serving view of CSR.

The authors focus on Ren (benevolence) and Li (propriety). Ren shapes the individual in his or her relationships with others. Li represents the activities performed by individuals and reflecting patterns of behaviour developed through generations of human wisdom. Li reflect the rules and norms of society which dictate acceptable behaviour. As with other stakeholders, organisations must look after their employees interests and employees must in return be highly committed to their organisation. Here there is a balance of Ren and Li: organisations have a duty to adhere to structural norms as in a family, while employees owing loyalty to their employer, while the relationships between employer and employee and between employees themselves reflect humanity and benevolence.

Guanxi: importance of Confucian principles for organisations extends to relationships with the wider community. G may be considered as Chinas replacement for hierarchy which defines, prescribes, and controls relationships. G relationships are based on trust and respect. Once G is established, the relationship becomes personal, particularistic and no longer related to the project or organisation. It is through G that business negotiations and transactions retain a basis of trust and personal integrity. **Modern Confucian Entrepreneurs:** The modern Confucian merchant combines early Confucian philosophy with recent leadership and development theory, and is describes as an entrepreneur 'with modern managerial ability and innovative consciousness'. The key values of collectivism, hierarchy, harmony, loyalty, and strategic thinking (Warner and Zhu, 2002) continue to play an important part in the development of social capital in modern china.

Relevance for Western Organisations: it could appear that both eastern and western can learn from each other. While china has been moving under Deng Xiaoping towards a more western style of human resource management but retaining Confucian values (Taylor, 2005), the West is seeking to rediscover values that will foster social capital and well-being. The new 'managerial hybrids could embrace the best of both cultures, support a genuine desire for social responsibility and well-being, and be adopted globally, rather than developed as a tool for the westernisation of the east.

Wu, W.-P., & Leung, A., (2005). Does a micro-macro link exist between managerial value of reciprocity, social capital and firm performance? The case of SMEs in China. *Asia Pacific Journal of Management*, 22: 445-463.

SMEs are gaining tremendous economic momentum and play an increasingly large role in Chinas century-long bid for economic resurgence. What is interesting is that SMEs have achieves all these accomplishments without preferential treatment from the government (Luo et al., 1998). Xin and Pearce (1996) suggested this is due to guanxi (managerial networking) that many SMEs utilise to manage scarcity (or hostility) by actively securing production factors, distribution channels, and institutional support. This study used a micro-macro link to investigate the effects of managerial value of reciprocity on both social capital and firm performance in rural SMEs n China. A structural equation modelling method was used to test the hypotheses. Data was collected from 177 SMEs in China and indicated that there indeed exists a micro-macro link from managerial value of reciprocity, to social capital (trust) and to firm performance. a managers value of reciprocity was found to be positively and significantly related to both trust and network ties. Reciprocity is one of the links that sustain a network relationships (Wu. 2000). Since reciprocity is a widely held social norm in China and an owners/managers personal values dominates that of an SME, managerial value of reciprocity constitutes the very ingredients for Chinese rural SMEs to nurture, build and

develop trust and network ties with other firms and organisations. Trust as found to have a significant and positive effect on both competitiveness improvement and overall performance. But it was surprising to find that network ties had no significant impact on both competitiveness improvement and overall performance since it was suggested that guanxi with local government offices and support from local banks are extremely important for firm performance (Park & Luo, 2001), and especially for that of SMEs in China. Also, though not hypothesised, managerial value of reciprocity had a positive and significant indirect effect on performance through competitiveness improvement, but not direct effect was found between managerial value of reciprocity and performance. this finding indicates that while managerial value of reciprocity helps improve a firms competitiveness, it does not have a direct impact on the firms overall performance. **Limitations:** must be cautious when interpreting these results- a managers personal value of reciprocity may do very little to enhance a firms overall performance directly, but it can have an indirect impact on overall performance via competitiveness improvement.

Chai, S.-K., & Rhee, M., (2009). Confucian capitalism and the paradox of closure and structural holes in east Asian firms. *Management and Organisation Review*, 6(1):5-29.

There has been debate over the relative advantages of network closure vs. structural holes in the generation of social capital. Additionally, recent evidence suggests that these advantages differ across cultures and particularly between east Asia and the west. Existing network models are unable to explain why or address cultural variation, so this paper seeks to provide a solution by integrating a culture-embedded rational model of action into the social network model of structure. The purpose of this paper is to propose a model that bridges the western social network literature and the eastern Confucian capitalism literature. It proposes 5 propositions:

1. the high levels of closure that characterise east Asian model firms will generate higher levels of employee commitment and lead to higher levels of work effort than a more open configuration of network relationships. This commitment will also provide incentives for firms to invest in worker skills, thus improving the quality as well as quantity of work.
2. Major institutional practices of east Asian firms will encourage internal ties and discourage external ones, thus inducing closure by i.) generating material disincentives to the formation of outside ties; ii) taking advantage of or generating affective identification and shared social norms, making each members own preferences ties to his/her work in the firm.
3. The advantageous effects of closure on the productivity of east Asian model firms will be enhanced by norms particular to east Asian, more specifically, Confucian cultures. These norms will serve as focal points that coordinate individual behaviour, making it rational for individuals to devote high levels of effort to group production.
4. While closure will promote commitment and work effort by individuals and thus higher firm productivity, those individuals within an east Asian model firm who are able to act for a prolonged period as occupants of structural holes will tend to receive higher individual benefits relative to effort than their fellow employees. However their ability to occupy structural holes will be dependent on the firms willingness to exempt them from the sanctions that are typically used to prevent such attempts at brokerage. This willingness will be associated with the need for individuals with special skills, a condition that is becoming increasingly prevalent as east Asian firms enter an era of globalised competition in information-based technology.
5. Rather than suppressing or encouraging individual occupation of structural holes, the evolution of the east Asian model in the era of information-based technology will ensure that such holes are filled not just between buyers and suppliers, but also between competitors within a sector. This will generate interfirm networks of ties that encompass entire sectors.

Limitations: the east Asian model concept is designed primarily to examine commonalities within east Asia and contrasts with the east. It glosses over important inter-country differences within the east Asian region. Nevertheless, most network studies conducted in Asian countries overly rely on western theories of social and organisational networks. This study helps to make borrowing network theories, especially the theoretical debates on closure vs. structural holes, more context sensitive.

Xu, K., (2006). Early Confucian principles: the potential theoretic foundation of democracy in modern china. *Asian Philosophy*, 16(2): 135-148.

This paper argues that there are some quite basic early Confucian values and principles that are not only compatible with democracy, but may also become the theoretic foundation of modern democracy in China. Confucian theory of 'human nature is good' endorses equal potential good for every man. These principles can be used in reasoning towards a system of democracy. There are some intersections between Confucian and communitarian thought, and some scholars believe that Confucian tradition is leading certain Asian countries towards a communitarian democracy, rather than liberal democracy. Some scholars also point out some linkages between democracy and Confucianism. For instance, some indicate that despite the fact that Confucianism has provided strong support to the centralised state authorities, there is also a tradition of opposition to autocracy in the history of Confucianism. Therefore, although Confucianism itself is not democratic at all, it may not be a resisting factor to democratisation and democracy may even open a free space in which Confucianism can truly come into its own for the first time (Hahm, 2004).

1. Confucianism consider the 'peoples will', which is the accountable evidence of the 'Heavens' will', as the source of approving the legitimacy of political power. This is compatible with the democratic view of political power.
2. Confucian theory of 'human nature is good' which endorses equal potential good for every man, can be used in reasoning to the system of democracy.
3. In terms of political decision-making, the principle of Confucian 'zhong young' or Doctrine of Mean, is compatible with certain values and principles of democracy, such as majority decision, compromise making, tolerance towards minority.
4. Confucianism advocates independent personality with the characters of responsibility, obligation, and commitment, which is the civic merit required in a democratic society

Conclusions: Confucian principles as the foundation of democracy is only a 'potential'. The traditional Chinese cultural heritage, especially Confucianism, should not be used as an excuse to reject democracy in modern china. The Chinese political system will surely enter the modern era largely on its own terms. Nevertheless, any democracy must be embodied in a suitable modern democratic institutional arrangement. In this aspect, western democratic institution may be used for reference in the democratisation of China

Lu, X., (2009). A Chinese perspective: business ethics in china now and in the future. *Journal of Business Ethics*, 86:451-461.

China has been at the forefront of growing concern not only about its products and enterprises, but also about its business ethics. This article analyses recent events connected with the made in china label from the perspectives of evolving Chinese business ethics. There are two problems with the defective Made in China products: 1.) the relevant government standards has lagged behind industrial pace; 2.) a few businesspeople have acted immorally.

These 2 problems can be traced to 3 deeper causes: 1.) the use of capital; 2.) an incomplete understanding of government's role; 3.) the lack of proper theory of corporations.

The made in china controversy has prompted government policy changes. These changes are likely to alter the driving force behind the Chinese economy; foster the development of corporate cultures manifesting distinctively Chinese features; and strengthen socialist characteristics of the market economy and corporate cultures. The main conclusion is that business ethics in china faces two kinds of ethical challenges: how to restrict the lawless in as short a period of time as possible and how to protect and advance the interests of employees, investors and the public through corporate management and public administration. The event of the Made in China products should and have provided an opportunity to 1.) re-conceive recent market reforms and; 2.) to draw upon the rich Confucian and Taoist ethical traditions to meet challenges in a distinctively Chinese way.

Bozionelos, N., & Wang, L., (2007). The relationship of mentoring and network resources with career success in the Chinese organisational environment. *International Journal of Human Resource Management*, 17(9): 1531-1546.

This study investigated the relationship of mentoring and network resources (2 components of social capital) with career success of 113 Chinese white-collar workers. The findings suggested that the prevalence of mentoring in the Chinese workplace is substantially higher than in the Anglo-Saxon workplace and that Chinese employees do not distinguish their network ties or Guanxi into expressive and instrumental. This concurs with the observations that, in contrast to the Anglo-Saxon context, interpersonal relationships in the Chinese cultural context cannot exist in instrumental form only; as the establishment of expressive elements is a pre-requisite for the development of instrumental aspects in a relationship within the Chinese cultural environment (Luo, 1997).

The findings of the study also suggest (contrary to their hypothesis) a limited relationship between social capital and career success. Mentoring was not related to extrinsic career success. This is largely at odds with the accumulated knowledge on the benefits of SC for career success. The high prevalence of involvement in relationships with mentors in the Chinese organisational environment, which was expected and confirmed by results, means that receiving mentoring does not render a particular career advantage for protégés in the Chinese work context because most of their colleague also enjoy the benefits of mentoring. But the findings also suggest that although mentoring does not provide a concrete advantage in terms of career advancement, it does enhance perceptions of career success. The implications of this research is that the role of network resources or Guanxi may not be as central anymore to career progression within certain contexts in China. This is of profound importance as G is one of the pivotal features of Chinese culture.

Limitations: this study focused on intrafirm networks, and social capital may be of greater importance for career mobility between organisations than for success within a single organisation; variables were measured with a single method (self-reporting) so bias may have occurred. Also, participants average tenure with the organisation was low; the effects of social capital on career outcomes may take longer to become evident. In the Chinese organisational environment, as interpersonal ties probably develop and consolidate more slowly in the Chinese cultural context.

De Bettingies, H.-C., & Tan, C.K., (2007). Values and management education in china. *International Management Review*, 3(1): 17-37.

Can traditional Chinese values be leveraged to induce change? To address concerns about the country's lack of responsibility, the Chinese government has lately re-emphasised the importance of moral education. It tries to refocus on the relevance of traditional Chinese values, particularly Confucianism, and link the values to the responsible leadership of today. Besides benevolence, the gentleman is also expected to possess the virtues of wisdom and courage. Furthermore, Confucius

believed that a man is perfectible through continuous effort and education; moral education will develop his inner virtue and will be conducive; and social harmony can be attained through the cultivation of the individuals and a virtuous government. The Confucian morale has evolved and adapted over the centuries. In essence, the key messages of the Confucian morale are self-cultivation (self-discipline), social harmony, strong family, reverence for education, virtue being the more important than professional competence, and the importance of moral leadership in politics. Confucius advocated altruism over self-interest. Also, Confucianism emphasis on the importance of education s very relevant to leadership today, as a leader needs to be knowledgeable in order to 'investigate things' and make good decisions. Some critics questions the relevance of Confucian values in educating leaders and managers. They feel it is a conservative philosophy that acts as an impediment to change. Moreover, it suggests a rigid, hierarchical and vertical society. In emphasising learning over thinking, it limits innovativeness and creativity. But, it is possible to see how some core values of Confucianism could be leveraged in leadership education. These include: self cultivation; the idea of the self as a centre of relationships; an overriding concern for family stability; the importance of moral leadership in politics, communal harmony in society; systematic savings in the economy; and the belief in the unity of humanity and Heaven. It is neither individualist capitalism nor collectivist socialism, but a humanism that has accepted market economy without undermining the leadership of central government and rejected class struggle without abandoning the principle of equality.

Corruption, Guanxi, Corporate and public sector governance, and responsible leadership in china: filial piety is a fundamental moral principle of conduct advocated in Confucianism. The Confucian teaching of faithful compliance to ones parents and the Chinese tradition of favouring the family and clan can lead to unethical conduct like cover-ups, nepotism and corruption. But, Confucianism also emphasises ones responsibilities to the public , and that can provide some form of balance with filial piety.

In Chinese culture, the bonds of the family extend toward the clan and then on to more general ties of guanxi. Although G may bring benefits to individuals and the organisations they represent, these benefits are often obtained at the expenses of other individuals or firms, and therefore can be detrimental to the society (Fan, 2002). In china, the influence of G is much stronger than the rule of law, and business dealings are often conducted based on G. in fact, the tradition of G may induce contempt for the law, and may lead to unethical behaviour.

Corruption in china illustrates the linkage between culture, values, corporate behaviour, competitive market and high growth. Also, Confucianism states that no corporate code of conduct can ever substitute for a leaders actions. Hence, even if stringent corporate and public sector governance exist, corruption and other unethical behaviour will still occur if leaders do no possess the right virtues.

Business ethics education and responsible leadership in china: a fundamental issue in questioning the possibility to teach ethics is that values are determined early in life as a result of cultural, family and religious influence. Also, it is not which ethics to teach but also how to teach ethics, particularly business ethics in China.

Conclusions: The Chinese government has recently embarked on several initiatives to nurture leaders who are more responsible. These include the establishment of executive leadership academies that aim to provide training in ethical leadership at the top; the introduction of education on intellectual property rights protection and anti-corruption in schools; the governments crack-down on bribery and poor safety standards and compliance; and several attempts of law enforcement on environmental pollution and intellectual property rights violations. Whether ethical consciousness will improve or not in china depends to a large extent on its governments determination to implement measures that will nurture more responsible leaders amongst it people while creating the institutions necessary to progressively improve the level playing field.

Zhang, Y., & Zhang, Z., (2006). Guanxi and organisational dynamics in china: a link between individual and organisational levels. *Journal of Business Ethics*, 67:375-392.

Few studies have examined how G at the individual level is transferred into a firm to influence its financial performance. At the individual level, this study reclassifies G into 3 types: obligatory, reciprocal and utilitarian. It then introduces a conceptual framework that systematically characterises the link between Guanxi at the individual level and organisational dynamics.

TABLE II
Three typologies of Guanxi

| The type of relationship | The obligatory type | The reciprocal type | The utilitarian type |
|---|-----------------------------------|---|------------------------------------|
| Chinese term | <i>Qinqing</i> Guanxi | <i>Renqing</i> Guanxi | <i>Jiaoyi</i> Guanxi |
| The scope of the relationship | The family members, the relatives | Fellow countrymen, classmates or alumni, and colleagues | Mere acquaintances |
| The nature of relationship | Psychological identification | Favorable exchanges | Rent exchanges |
| The factors motivating the relationship | Responsibility and obligation | Reciprocity | Utilitarianism |
| The factors maintaining the relationship | Full trust | Trust and reputation | Less trust |
| The duration of the relationship | Longest | Longer | Temporal |
| How to enter into the relationship (or Guanxi base) | Blood and marriage | Common background or experience | Common background, an intermediary |

Guanxi and organisational performance in China:

In transitional economies like China, where the institutional framework is imperfect, interpersonal relationships with governmental officials are much more important than other interpersonal connections, including those among firms' managers.

The G network at the individual level is only necessary, but not sufficient condition for a firm to perform well.

Some scholars maintain that the significance of G networks are declining in China (Fan, 2002; Guthries, 1998). Other scholars agree that G will prevail in China (Standifird & Marshall, 2000; Yang, 1994) and continue to play an important role in the China business field (Park & Luo, 2001; Peng, 2003). The influence of G networks on the performance of firms can be discussed within the context of the following 3 points:

1. G at the individual level can influence a firms performance indirectly
2. G is essentially a special asset owned by an individual and, as such, it does not benefit the firm until the individual joins in the firm and would like to contribute it to the firm
3. The influences of G networks on the performance of a firm are multi-faceted. G remains in the firm and acts as an 'organisational asset' brings strategic implications to the firm, including serving as compensation for the lack of a formal institutional framework and as a means to access scarce resources, facilitating strategic implementation and providing the means to limit transaction costs.

Liao, D., & Sohmen, P., (2001). The development of modern entrepreneurship in china. *Stanford Journal of East Asian Affairs*, 1: 27-33.

This paper is an exploratory study into Chinese entrepreneurship. Over the years, entrepreneurship in china has taken many forms:

1. first type occurred before reform and through the 80s, consisting of small-scale activities in retail and services such as street vendors, businesses known as *getihu*. They were more accurately referred to as self-employed rather than entrepreneurs and were of low social status, most of which were criminals and illegal immigrants and low education
2. Second type emerged in late 1980s, with more highly educated individuals, often engineers or state-owned enterprise managers, operating larger scale out of choice rather than necessity. (*This is the focus of the paper)
3. Third type is the foreign educated or trained Chinese returning to china to start businesses. This type of entrepreneurship has been evident in the flourishing Internet sector.

Environmental Barriers:

- Political and legal uncertainty
- Access to resources, in particular funding, labour and technology (*Confucian principles may deter entrepreneurs from seeking funding from non-kin members)
- Low social status attributed to private business in China (*this preconception lingers, though the attitudes are changing rapidly)

The Internet has spurred radical change. The government aspire to make China a leader in high-tech as modernisation and innovation will be necessary conditions for development. This has resulted in the government encouraging of high-tech entrepreneurship, and establishing high tech parks throughout the country.

Does culture matter?

Following the success of East Asian countries, opinion of Confucianism changed (previously heavily influenced by Weber), and more focus was placed on Confucian values of persistence, diligence, thrift and the strong role played by the family as key supporting factors for entrepreneurial development.

But, referring to the study of Kirby and Fan, entrepreneurial attributes such as a positive response to change, initiative, profit-orientation, appeared to be in conflict with Chinese values. Additionally, the most important entrepreneurial values of creativity, innovation and flexibility were lacking in the Chinese set of values. This led to the conclusion that Chinese culture would appear to be only partially conducive to entrepreneurship, while some strong cultural barriers may exist.

The role of traditional culture is also influenced and directed by other factors such as political ideology and the degree of openness to foreign values.

Characteristics of Entrepreneurs in China

The interviews conducted confirmed that Chinese entrepreneurs shared characteristics with entrepreneurs worldwide. There are however 2 characteristics that are more unique to entrepreneurs in China:

1. Political nimbleness
 - Historically, china has been unpredictable. For example, Marxism is the official state ideology but if a visitor went to Shanghai, it is evident that its burgeoning with materialism and capitalism
 - Flexibility and liquidity are subsets within the need to be politically nimble. Flexibility is the ability to stand up after being knocked down again and again; Liquidity is a valued intangible asset of Chinese entrepreneurs and includes back-up plans, and dual citizenship.
2. Interpersonal harmony
 - Interpersonal harmony and guanxi are factors for further reducing risk
 - ‘ You don’t just need connections, you need the right kind of connections’

McDonald, P., (2012). Confucian foundations of leadership: a study of Chinese business leaders across greater china and south-east asia. *Asia Pacific Business Review*, 18(4): 465-487.

This study examines the degree to which Confucian ideology is evident in the practices of modern Chinese business leaders. A conceptual model of the archetypal Confucian business leader is developed and applied to the content analysis of a recent biographical database of 200 Chinese business leaders. Four exemplars of Confucian leadership in modern business context were then described.

The archetypal Confucian business leader:

Level 1: Leadership style → Benevolent leadership: comprised of benevolence (*ren*), righteousness (*yi*), and propriety (*li*). The Confucian business leader serves as an exemplary role model (the Gentleman)

Level 2: Leadership principles → Virtue, Harmony, Education, Reciprocity, Familial collectivism

Level 3: Leadership constants → Benevolence, righteousness, propriety, wisdom, faithfulness

This was then applied to 4 business leaders from China, HK, Taiwan, and Malaysia/Singapore

Limitations: though insightful and indicative of distinctive aspects of Asian leadership at an ideological level, it is wrong to imply that Asian leadership is a homogenous, convergent concept. Internal cultural variations equal, if not exceed, those between East and West. Additionally, the style of Chinese business leadership are not culturally convergent, especially for the new generation of Chinese business leaders who appear as ideological hybrids combining Eastern traditions with Western business school education. Lastly, Confucianism's evolution has been dynamic and its difficult to discount peripheral influences over time, in particular Daoism and Legalism. In China, the more recent influence of Communism and Maoism has been considerable. Data of this study was also mostly secondary and largely anecdotal.

Jacobs, L., Guopei, G., & Herbig, P., (1995). Confucian roots in china: a force for today's business. *Management Decision*, 33(10): 29-34.

Confucian influence is still felt in many facets of Chinese life, and forms the basis of most business practices in China.

Strong sense of hierarchy:

Confucius believed that everyone had a fixed position in society, and provided each person behaves according to rank, social harmony is achieved. The sense of hierarchy was strengthened, not weakened, with the introduction of Marxism in China. In Chinese business management, this sense of hierarchy often destroys the sense of participation essential to the progress of a business. The lack of worker initiative is a principal factor contributing to low business efficiency in China.

Law & ethics:

Han dynasty, influenced by Confucianism, attached greater importance to ethics than to law as a tool of management. Laws are stipulated in explicit terms while ethics are established through use. Rule by man, instead of rule by law, meant that top decision makers have the final authority; decisions should never be questioned. When it comes to business management this means the top decision makers have unlimited powers and there is no mechanism to ensure that these powers are not abused. The rule of man also presupposes that top decision makers are bright, of high ethical integrity and will use power correctly. This is a problem for China's business modernisation as an inferior person may assume business leadership.

The family as the basic production unit:

In China, the family organisation was a mixed blessing as it ensured higher agricultural productivity through cooperation and coordination, but did not invite a division of labour, as each family was a self-sufficient unit. The lack of division of labour made it impossible for a commodity economy to flourish in ancient China and still haunts China today.

Confucianism was developed for a self-sufficient and small-scale peasant economy as it advocated an equal distribution of social wealth.

Trade:

Merchants were humiliated in many ways, and the tradition of structuring groups by social importance placed them last on the list in ancient China. Furthermore, in the Han dynasty they were taxed double, and it was through this taxation system that ancient Chinese rulers were able to restrain the growth and power of commerce while increasing the state's revenue. Another governmental force that restrained trade was the policy of direct regulation of industry and trade. Merchants were not permitted to reinvest their profits in industry. Earnings had to be used to buy real estate or to practice loaning/usury. This made commercial growth impossible and the theoretical foundation of these no-growth policies was Confucianism.

Confucianism and Chinese management- Conclusions:

Confucianism can provide a work ethic which is characterised by diligence, responsibility, thrift, promptness, cooperation and learning. China however has a long way to go to remove the negative influences of Confucianism. But it would be incorrect to assume that Confucianism exerts only negative influence on business management.

China has been slower to accept an East Asian business style and Oh (1992) suggests 2 reasons:

1. Business management has been made possible recently by the switch-over from a planned economy to a market economy
2. The Cultural Revolution threw the value system of China into chaos, and it will take time to rebuild and incorporate these basic values into Chinese business management.

The qualities for successful business management depend on the value system of a culture, and the basic principles of Confucius are not easily dissolved and form the basis of much of China's business practice. Some important aspects of the philosophy are:

- Rank and hierarchy are very important
- Laws and external structure are not as important as relationships for problem solving (rule by man)
- Family (including extended family) is important in the culture
- Business and business people are distrusted
- The authority and decisions of superiors should not be questioned
- Modernisation is desired
- There is cooperation between government and business
- Emphasis is placed on education
- Business people dislike formal contracts
- Successful people avoid extremes
- Face must be maintained

Guo, C., & Miller, J.K., (2010). Guanxi dynamics and entrepreneurial firm creation and development in China. *Management and Organisation Review*, 6(2): 267-291.

Data induction based on within and cross case analyses of 2 entrepreneurial firms revealed 3 major findings:

1. Guanxi network dynamics in terms of network structure, governance mechanisms, and network content change systematically across the stages of the entrepreneurship process
2. The usefulness of guanxi ties (e.g. family, business associates, government officials) is contingent on the stage of the entrepreneurial process as well as on industrial-level factors
3. In knowledge-intensive industries, cultivating and maintaining G can be achieved through knowledge and information exchange rather than traditional gift giving or favours.

The overall conclusion is that G is still of paramount importance for Chinese entrepreneurs in the midst of China's transformation from a centrally planned to a socialist market economy.

Introduction: China has experienced the emergence and prosperity of entrepreneurial activities in the last 2 decades and the private sector is now playing an important role in driving China's economic growth. Previous research (Guthrie, 1998; Xin & Pearce, 1996) has shown that one of the most important ways Chinese entrepreneurs overcome obstacles to venture formulation is through *guanxi* personal connections. Neither *G* nor entrepreneurship are static, unchanging entities.

Guanxi and its cultural roots in Confucian social theory:

- *Guanxi* is broadly defined as a dyadic interpersonal relationship ascribed to or achieved by an individual. Continuing on from this, a *guanxi* web refers to an aggregation of *G* ties possessed by an individual. *G* serves as a mechanism by which 'quasifamilial' relations can be created to cultivate trust among non-kin. Family is an elastic concept in Chinese culture and can refer to any people one wants to include.

Methodology: This study used a qualitative and inductive multiple case method to examine the development of Chinese entrepreneurs' *guanxi* networks in the entrepreneurial process. 6 exemplar entrepreneurial firms were selected, with 4 from less knowledge intensive sectors (automation equipment manufacturing, plastic product manufacturing, entertainment, and energy), and the other 2 were from knowledge-intensive sectors (internet and consulting). All firms had gone through 3 entrepreneurial stages based on Kazanjian's (1988) stage model of entrepreneurship: firm creation, early firm growth, and later firm growth.

Network Dynamics in the Entrepreneurial Process:

The authors found that entrepreneurs intentionally expanded their *G* webs and developed different *G* circles in order to meet unique challenges at different developmental stages. The authors differentiate different *G* circles as follows:

Core Guanxi circle

- Formed and consisted of *G* ties with family members and close friends; used during firm creation stage; embodies a closure structure as family and close friends are well-connected and known to each other; these are strong ties that are not economically driven but are 'expressive ties'; *Ganqing* is evident here and refers to the emotional feelings and affection of human beings, which can be created and accumulated through long-term social relations, such as between parents and children, husband and wife, and close friends; entrepreneurs draw on personal savings and on financial resources of their family members and close friends; *Ganqing* serves as a mechanism that allows entrepreneurs to acquire resources (tangible and intangible) from various sources without being overly burdened by the payback obligations, hence increasing the possibility of actually creating new ventures.

Intermediary Guanxi circle

- Used during early firm growth stage; entrepreneurs intentionally expanded their *G* webs beyond the core circle because they could not count on their family members or close friends for all needed resources; cultivating *G* ties with non-kin members such as key business associates like business partners, investment banks, major clients, government officials is the dominant networking activity here; from a network structure perspective, this circle is a sparse structure in that the business associates in this circle are unlikely to be as densely connected to each other as family members in the core circle; structural holes exist between some *G* parties and allows actors to have non-redundant contacts that can offer additive rather than overlapping information or resources; these *G* associates usually have their own unique *G* webs, so they serve as intermediaries or brokers; *renqing* is intentionally developed here as a mechanism to channel the network activities; *renqing* involves less affection than *ganqing* and refers to a social debt that must be repaid in the future and have an instrumental component; *renqing* based *G* relationships are 'mixed ties', which not only involve affection, but also economic instrumentality; it is the strong norms, mutual trust, and interdependence generated by *renqing* that provide a control mechanism for prohibiting opportunistic behaviour of the

intermediaries or brokers, thereby reducing risks and maximising network benefits generated by this G circle in the early growth stage.

Periphery Guanxi circle

-Used during the later firm growth stage; entrepreneurs further enlarge their G webs by randomly establishing G ties with people previously unknown and from diverse backgrounds. These ties serve as the information pool that could keep entrepreneurs alert to changes in the institutional environment and new market information; *Jiaoqing* based G ties are evident here and provide the mechanism for cultivating and maintaining relationships with previously unknown individuals; from a network structure perspective, the periphery circle is a sparse network abundant in structural holes; *Jiaoqing* based G relations are also opportunistic ties which may offer valuable opportunities that enable the entrepreneurial firm to grow beyond short-term survival and achieve long-term success; this sparse structure coupled with weak ties offers unique network benefit.

Also in the later growth stage, the authors observed that entrepreneurs spent time managing different G circles and that entrepreneurs intentionally drew members from the periphery to the intermediary circles and/or intentionally distanced or dropped members from the intermediary circles when they were not active or became irrelevant.

Major differences between 2 industry sectors

The cross-case analysis showed 2 major differences between knowledge-intensive and less knowledge-intensive entrepreneurial firms:

1. Ways of conducting and maintaining *renqing*-based G ties
 - Entrepreneurs from less knowledge-intensive sectors practiced the traditional 'art of doing G', which involves the exchange of gifts, favours, and banquets, and the manufacturing of obligation and indebtedness
 - In knowledge-intensive sectors, although the ultimate goal is still to cultivate trust and affection in relationships with key business associates, the currency being exchanged in this G-building process was very different and G ties were cultivated through knowledge and information sharing.
2. Perceived usefulness and importance of G ties with governmental officials.
 - In less knowledge-intensive industries such as energy, entertainment and manufacturing, in which government controlled and distributed critical inputs and resources for firm creation and growth, entrepreneurs reported heavy reliance on G with government officials in business-related bureaus to obtain accurate information and acquire needed scarce resources
 - Of the critical inputs/resources for creating and operating an entrepreneurial firm was not controlled/allocated by the government, entrepreneurs considered G with government officials to be relatively unimportant

Overall importance of G for Chinese Entrepreneurship:

Despite differences, all entrepreneurs in the study agreed that G is still very important in the midst of China's economic reform and the development of a legal infrastructure. The contemporary Chinese context is characterised by a crossvergence of traditional collectivist cultural values and individualist, capitalist ones.

Limitations:

- Focused solely on the entrepreneurs G network dynamics; it is possible that there are human factors that influence network efficacy
- Did not examine potential entrepreneurs who were unable to acquire needed start-up resources for firm creation or who failed shortly after the launch of the firm.